S. HRG. 101-1247

NOMINATIONS OF BILLY ROSS BROWN, JOHN C. DATT, AND KEITH D. BJERKE

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

ON

THE NOMINATIONS OF BILLY ROSS BROWN, OF MISSISSIPPI, TO BE A MEMBER OF THE FARM CREDIT ADMINISTRATION BOARD, FARM CREDIT ADMINISTRATION, FOR THE TERM EXPIRING OCTOBER 13, 1994; JOHN C. DATT, OF VIRGINIA, TO BE A MEMBER OF THE FARM CREDIT ADMINISTRATION BOARD, FARM CREDIT ADMINISTRATION, FOR THE TERM EXPIRING MAY 21, 1996; AND KEITH D. BJERKE, OF NORTH DAKOTA, TO BE A MEMBER OF THE BOARD OF DIRECTORS OF THE COMMODITY CREDIT CORPORATION

OCTOBER 15, 1990

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MONDAY, OCTOBER 15, 1990

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC.

The committee met, pursuant to notice, at 10:05 a.m., in room SR-332, Russell Senate Office Building, Hon. Patrick J. Leahy (chairman of the committee), Hon. Kent Conrad, presiding.

Present or submitting a statement: Senators Leahy, Conrad, Cochran, Boschwitz, and Bond.

Senator CONRAD. This hearing before the Committee on Agriculture, Nutrition, and Forestry will begin.

If you would please stand, Keith, we will start by swearing you in. Do you solemnly swear that the testimony you are about to give will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. BJERKE. I do.

Senator CONRAD. Welcome. Good to have you here, fellow North Dakotan. Is your wife here as well?

Mr. BJERKE. Yes, sir. My wife, Marian.

Senator CONRAD. Welcome as well. Good to have you here.

There are a couple of required questions that we must ask all nominees. Let's get them out of the way. Then you can offer your opening statement, after which we can ask further questions we might have.

If you are confirmed by the Senate, will you faithfully execute the laws passed by Congress regardless of any prior statements you have made or biases you may have held?

Mr. BJERKE. Yes, sir.

Senator CONRAD. And if your nomination is approved by the committee and the Senate, do you promise to respond to requests to appear and testify before this committee or any other duly constituted committee of the Senate?

Mr. BJERKE. Yes.

Senator CONRAD. Let's go ahead with your opening statement and then have a chance for further questions. Before you do that

we will insert the statements of Chairman Leahy and Senator Boschwitz for the hearing record.

[The prepared statements of Chairman Leahy and Senator Boschwitz follow:]

PREPARED STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM VERMONT

NOMINATION OF WILLIAM ROSS BROWN AND JOHN C. DATT

Mr. Brown, Mr. Datt, you come before us today nominated to fill two open seats on the Farm Credit Administration Board—a three-member panel now operating without a voting quorum. Obviously, this fact adds some urgency to our deliberations.

The 1980's were not kind to farmers as incomes and property values both fell sharply. The farm crisis spread rapidly to Farm Credit System institutions and, by 1987, the System was in serious financial trouble.

We passed the 1987 Agricultural Credit Act to help get the Farm Credit System back on its feet. Our 1987 act was good medicine for the System. Recent years have seen a marked improvement in farm credit finance, and we want this improvement to continue.

A key element of the 1987 act was to restructure the Farm Credit Administration as an "arm's-length" regulator assigned to prevent another farm credit financial crisis by ensuring safe and sound operations.

The challenge facing the Farm Credit Administration is large and looming, particularly in light of what may become a national economic downturn prompted by the Persian Gulf crisis and rising oil prices. We do not want to see this economic bad news sparking a new farm credit crisis similar to that of the 1980's.

Today, we will explore with you key farm credit issues that need action and how you would propose to address them. I look forward to your testimony.

PREPARED STATEMENT OF HON. RUDY BOSCHWITZ, A U.S. SENATOR FROM MINNESOTA

I commend the chairman and ranking member of the committee for scheduling this hearing today to consider the nominations of two individuals to be members of the Farm Credit Administration Board.

The FCA Board has been without a quorum since the middle of September and for a majority of the time in 1989. While one board member can attend to the day-to-day business of the agency, he cannot make policy decisions or issue regulations. Several important topics will need to be addressed by regulations in the near future. Without a quorum these pressing issues will be put off even longer.

It's imperative that the committee act quickly on these nominations, so that final action can be taken by the Senate before the session concludes. It is vital that a full Board be in place soon to address the many issues that continue to face the Board.

Again, I am pleased that the Agriculture Committee is considering these nominations today.

TESTIMONY OF KEITH D. BJERKE, OF NORTH DAKOTA, NOMINATED TO BE A MEMBER OF THE BOARD OF DIRECTORS OF THE COMMODITY CREDIT CORPORATION

Mr. BJERKE. Thank you, Chairman Conrad, Senator Cochran, other members who may appear at this hearing. It is a privilege to appear before you today for consideration of my nomination as a member of the Commodity Credit Corporation Board.

As you know, in May 1989 I was named by Secretary of Agriculture, Clayton Yeutter, as Administrator of the Agricultural Stabilization and Conservation Service (ASCS). As Administrator of ASCS, I also serve as the Executive Vice President of the Commodity Credit Corporation (CCC).

Before coming to ASCS, I operated a farm near Northwood, North Dakota, producing Hard Red Spring wheat, Malting barley, soybeans, dry edible beans, corn, alfalfa, and hogs. I have been on

the boards of directors of several large institutions and corporations and served in various capacities in many commodity and farm organizations. In the early 1960's, I was an officer in the U.S. Marine Corps, and am currently a Colonel in the North Dakota Air National Guard. I graduated from North Dakota State University in Fargo with a degree in animal husbandry.

The job we have today in administering agricultural programs is more enormous and complicated than at any time in our Nation's history. The Commodity Credit Corporation plays a vital role in this undertaking. As the financial arm of the Department of Agriculture, the CCC continues to have major challenges—especially as we look at the farm programs for the 1990's and the world agricultural trade issues, while operating the CCC under tight fiscal constraints.

As a member of the CCC Board, I bring many years of experience in agriculture—from hands-on experience to involvement from the board room level. I hope you will agree that my background in production agriculture will continue to be a helpful tool in the management of the CCC programs and activities.

Thank you for the opportunity to appear before you today and be assured, if confirmed as a member of the CCC Board, I will do everything within my power to increase the viability of American agriculture.

[Material submitted by Mr. Bjerke follows:]

BIOGRAPHICAL INFORMATION
OF
KEITH D. BJERKE

1. Full Name: Keith David Bjerke

2. Address: 1505 Crystal Drive, Apt. 1104
Arlington, Virginia 22202
703/418-4454 - Residence

Agricultural Stabilization and Conservation Service
U.S. Department of Agriculture
14th and Independence Avenue, S.W.
Washington, D.C. 20250
202/447-3467 - Work

3. Date and Place of Birth: October 2, 1939. Northwood, North Dakota.

4. Marital Status: Married. Marian Ritchie McKinnon. Housewife.

5. Education: North Dakota State University, Fargo, North Dakota.
Attended from 9/57 to 5/61. Bachelor of Science, 5/61.

6. Employment Record:

May '89 - Present - Administrator, Agriculture Stabilization and Conservation Service, U.S. Department of Agriculture. Implements with the Secretary of Agriculture and the Under Secretary for International Affairs and Commodity Porgrams the domestic farm programs as directed by Congress. Serves as Executive Vice President of the Commodity Credit Corporation.

March '88 - Present - Pioneer Mutual Life Insurance Company, Fargo, North Dakota. Board of Directors.

July '69 - Present - North Dakota Air National Guard. Consolidated Aircraft Maintenance Squadron Commander. Responsible for providing and maintaining 20 combat ready F-16 and 1 C-130 aircraft, support equipment and trained personnel to support the mission tasking of the 119th Fighter Interceptor Group.

June '64 - May '89 - Spruce Row Farm. Owner/Operator. Owned and operated 3500 acre diversified farm including financing, marketing and production of hard red spring wheat, malting barley, soybeans, dry edible beans, corn, alfalfa, and hogs.

1987 - 1988 - Cloverdale Foods, Incorporated, Mandan, North Dakota. Hog procurement and production consultant.

1986 - 1987 - Ninth Federal Reserve Bank, Minneapolis, Minnesota. Board of Directors.

1982 - 1985 - Minneapolis Grain Exchange, Minneapolis, Minnesota. Board of Directors.

7. Military Service: USMC. 27 June 61 - 15 June 64. 082495. Honorable Discharge.

North Dakota Air National Guard. July '69 to present. Colonel. 501-44-3220.

8. Government Service: May '89 - Present - Administrator, ASCS, USDA. Service Grade, ES-05. Appointed Position.

9. Honors and Awards: Outstanding North Dakota National Guard Officer. 1987.
Air Force Achievement Medal. 1987.
Alpha Gamma Rho Outstanding Alumnus. 1986.
Air National Guard Meritorious Service Medal. 1985.
North Dakota State University Alumni Achievement Award. 1984.
Greater N.D. Association Agricultural Award. 1984.
Toastmasters International Communication and Leadership Award. 1984.
North Dakota State University Agricultural Economics Club, John Lee Coulter Award. 1984.
North Dakota Winter Show Distinguished Service Award. 1984.
North Dakota Veterinary Medical Service Award. 1983.
Jaycee International Senator. 1977.
U.S. Jaycee National Outstanding Young Farmer. 1975.
North Dakota Outstanding Young Farmer. 1974.
North Dakota State University Agriculturist Award. 1974.
Pork All American, National Pork Producers. 1974.
North Dakota Master Pork Producer. 1973.
Outstanding Security Flight Air Force Command Wide. 1972.
Honorary Chapter Farmer, Future Farmers of America. 1968.

10. Other Memberships:

Delegate, United States-European Community Conference on Agriculture. One of the few U.S. production farmers invited to participate in Dublin, Ireland, 1988, Williamsburg, Virginia, 1987, and London, England, 1986.

Board of Directors, Farm Foundation. 1984-1989.

Member, Edith & Dana Bennett Agricultural Round Table. 1982-1989.

Member, USDA Users Advisory Board. 1987-1989.

Vice Chairman, North Dakota Ag Products Utilization Commission. 1985-1987.

Member, Advisory Council on Small Business Agriculture and Labor - 9th Federal Reserve Bank 1985-1986.

Chairman, Agricultural Research and Extension Consultation Board, North Dakota State Board of Higher Education. 1981-1986.

Chairman, North Dakota Freedom of Enterprise Foundation. 1986-1989.

Chairman of the Board, Greater North Dakota Association (State Chamber of Commerce). 1985-1986. Membership 1975-present.

President, Outstanding Farmers of America. 1982-1984. Membership 1975-present.

President, North Dakota State University Presidents Agriculture Club. 1982-1985. Membership 1972-present.

Executive Board Member, National Pork Producers Council. 1972-1980. Membership 1969-present.

Charter President, North Dakota Pork Producers Council. 1971. Membership 1971-present.

Director, National SPF Swine Association. 1980-1984. Membership 1966-1984.

President, Northwest Farm Managers. 1976. Membership 1965-present.

President, Grand Forks County Farm Bureau. 1969-1970. Membership 1965-present.

President, Grand Forks County Ag Improvement Association. 1970-1971. Membership 1965-present.

11. Published Writings: None.

12. Health: Excellent.

FINANCIAL DATA AND CONFLICT OF INTEREST (PUBLIC)

1. Have you severed all connections with your immediate past private sector employers, business firms, associations, and/or organization? Yes. Cash rented out farm and sold machinery and equipment. On Board of Directors of Pioneer Mutual Life and member of North Dakota Air National Guard.

2. List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, incompleted contracts and other future benefits which you expect to derive from previous business relationships, professional services, firm memberships, former employers, clients, or customers. Projected net cash rent from farm, $35,218.00. Pioneer Mutual Life Retainer fee, $5000.00. North Dakota Air National Guard, $9547.00.

3. Do you, or does any partnership or closely held corporation in which you have an interest, own or operate a farm or ranch? Yes. I own, but do not operate a farm.

4. Have you, or any partnership or closely held corporation in which you have an interest, ever participated in Federal commodity price support programs? Yes. See attachment 1.

5. Have you, or any partnership or closely held corporation in which you have an interest, ever received a direct or guaranteed loan from or cosigned a note to the Farmers Home Administration? Yes. Paid off; no activity in last five years.

6. Have you, or any partnership or closely held corporation in which you have an interest, ever received payments for crop losses from the Federal Crop Insurance program? Yes.

Year	Payment Received	Premium
1936	--	$5,679
1987	--	$3,980
1988	--	$8,028
1989	$15,758	$6,399
1990	--	--

7. If confirmed, do you have any plans, commitments, or agreements to pursue outside employment or engage in any business or vacation, with or without compensation, during your service with the government? Yes. Maintain Board Membership with Pioneer Mutual Life Insurance; Active participation with North Dakota Air National Guard.

8. Do you have any plans to resume employment, affiliation, or practice with your previous employers, business firms, associations, or organizations after completing government service? No.

9. Has anyone made a commitment to employ you or retain your services in any capacity after you leave government service? No.

10. Identify all investments obligations, liabilities, or other relationships which involve potential conflicts of interest in the position to which you have been nominated. None.

11. Have you ever received a government guaranteed student loan? If so, has it been repaid? Yes. Yes, it has been repaid.

12. If confirmed, explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. I am aware of no conflicts of interest that may arise now, or in the future.

United States
Office of Government Ethics
Suite 500, 1201 New York Avenue, N.W.
Washington, D.C. 20005-3917

August 14, 1990

The Honorable Patrick J. Leahy
Chairman
Committee on Agriculture, Nutrition
and Forestry
United States Senate
Washington, D.C. 20510-6000

Dear Mr. Chairman:

Under the Ethics in Government Act of 1978, Presidential nominees requiring Senate confirmation who are not expected to serve in their Government positions for more than 60 days in a calendar year are not required to file public financial disclosure reports. The Act, however, contains a provision in Section 201(b) which allows the committee holding the confirmation hearing to request any financial information it deems appropriate from the nominee.

We understand that your Committee desires to receive a financial disclosure report (SF 278) from any Presidential nominee for whom your Committee holds a confirmation hearing, along with a written opinion from this Office regarding any possible conflicts of interest.

Therefore, I am forwarding a copy of the financial disclosure report of Mr. Keith D. Bjerke, who has been nominated by President Bush to be a Member of the Board of Directors of the Commodity Credit Corporation. Because Mr. Bjerke is not expected to serve more than 60 days in any calendar year, the enclosed report and this letter are submitted to you in accordance with your Committee's confirmation procedures and will be available for public inspection only to the extent provided by your practices. There is no authority under the Act for public release of this material by the executive branch.

We have reviewed the report and have obtained advice from the Department of Agriculture concerning any possible conflict in light of its functions and the nominee's proposed duties. Mr. Bjerke has farming interests in Northwood, North Dakota. Enclosed is a letter from him, dated July 20, 1990, detailing the steps he has taken and those he intends to take to assure that no conflicts of interest exist.

Based thereon, we believe that Mr. Bjerke is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

Stephen D. Potts
Director

Enclosures

United States Department of Agriculture
Agricultural Stabilization and Conservation Service
P.O. Box 2415
Washington, D.C. 20013

July 20, 1990

Donald E. Campbell, Esq.
Acting Director
Office of Government-Ethics
Suite 500
1201 New York Avenue, N.W.
Washington, D.C. 20005

Dear Mr. Campbell:

The purpose of this letter is to detail the steps I have taken, and those I intend to take, in order to assure that no actual or apparent conflict of interest will arise between my personal financial interests and the duties I will perform if confirmed to serve as a Member of the Board of Directors of the Commodity Credit Corporation (CCC), a corporation within the Department of Agriculture.

I have served since May 1989 as Administrator of the Agricultural Stabilization and Conservation Service (ASCS), an agency of the Department of Agriculture. Since 1964, I have also owned and operated Spruce Row Farm, Northwood, North Dakota, which produces wheat, malting barley, soybeans, dry edible beans, corn, alfalfa, and hogs on approximately 3,500 acres of land in Grand Forks County, North Dakota. Of these acres, I own approximately 420 acres, and have for a number of years leased the remaining acreage on a cash rent basis.

Since the Administrator of ASCS, and the directors and officers of the Commodity Credit Corporation, are responsible for various aspects of administration of USDA's farm price support programs, and since my farming operation has participated in such programs in past years, I have taken steps to insulate my continued ownership interest in the farming operation from the effects of my service in these positions. In particular, for the 1989 crop year, I abstained from all management responsibilities in connection with the farming operation, and my farmland was not enrolled in USDA's farm programs.

Also, commencing with the 1990 crop year and for the remainder of my tenure at USDA, I have agreed to lease the acreage I own, and to sub-lease the acreage I rent, to another producer. If any of this land is enrolled in USDA's farm programs during my tenure as Administrator and as a Member of the CCC Board, it will be enrolled in the name of that

producer and not in my name. I will not share in any of the profits derived from crop production on the described lands, and my only return will be in the form of cash rents, with the rental amounts established on the basis of rents for comparable land in the surrounding counties of North Dakota.

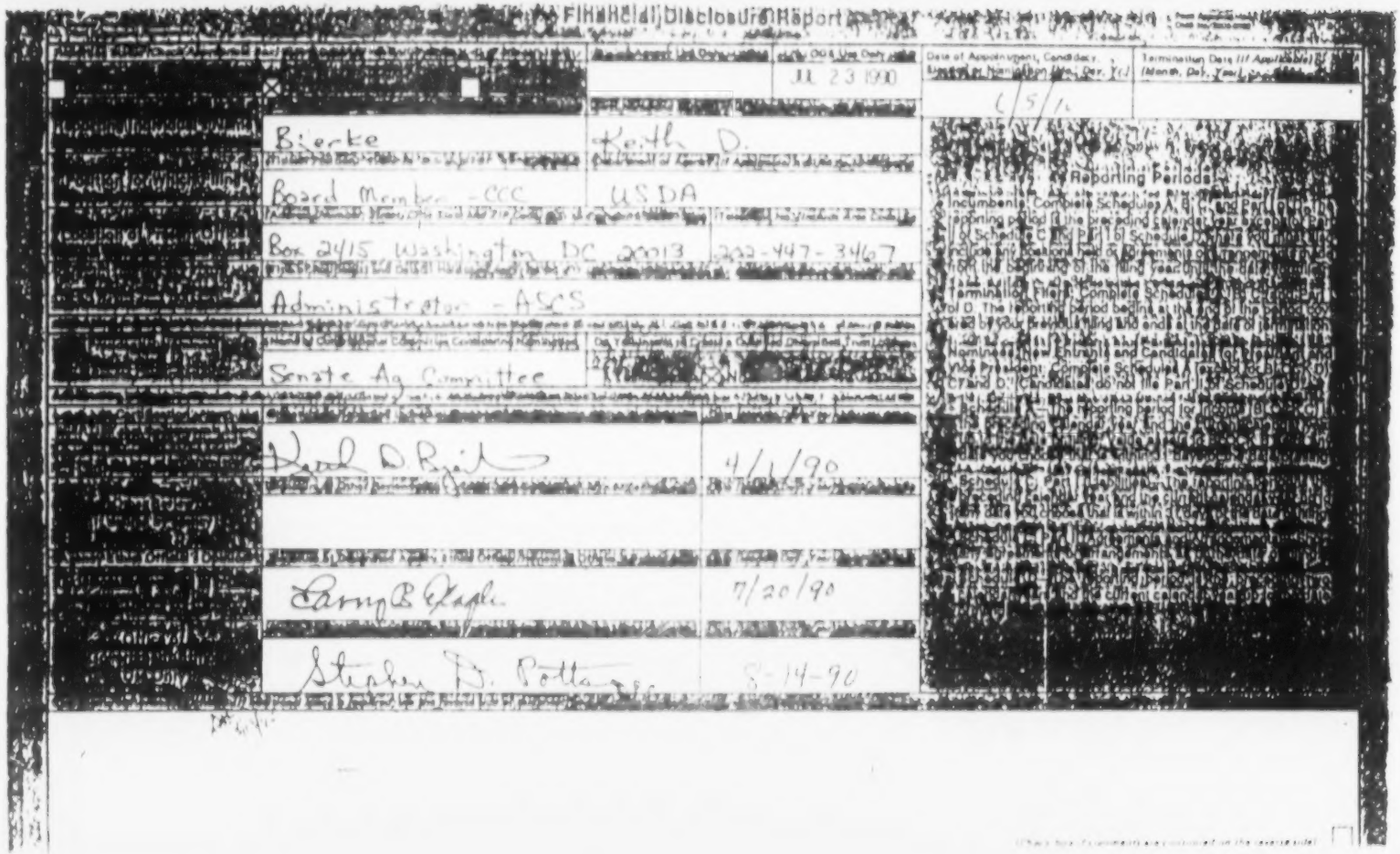
I also pledge to continue to play no role, during my tenure as Administrator of ASCS and as a Member of the CCC Board, in the operation of Spruce Row Farm, and to receive no earned income of any kind from the farming operation. Finally, I pledge to recuse myself from involvement in any particular matters which may arise within the Department of Agriculture, during my service in these positions, involving farming operations in Grand Forks County, North Dakota, where my farming operation is located.

I have also served, since June 1984, as a Member of the Board of Directors of the Pioneer Mutual Life Insurance Company, Fargo, North Dakota. Pioneer Mutual is engaged in the life insurance business; it writes no crop insurance and engages in no other business involving or affecting agriculture or agricultural production. Since it will constitute no conflict of interest to do so, I plan therefore to remain as a Member of the Board of Directors of Pioneer Mutual during my tenure at the Department of Agriculture. In this connection, while I can conceive of no such matters arising, I pledge to recuse myself from participation in any matters which may arise within the Department involving or affecting Pioneer Mutual during my period of service.

I believe these steps will serve to assure that no actual or apparent conflict of interest will arise between my personal financial interests on the one hand, and the duties I will perform in these positions on the other.

Sincerely,

Keith D. Bjerke
Administrator



Financial Disclosure Report

JL 23 1990

Date of Appointment, Candidacy, Election or Nomination (Mo., Day, Yr.): 6/5/1

Termination Date (If Applicable) (Month, Day, Year):

Reporting Period:

Biorke — Keith D.

Board Member - CCC — USDA

Box 2415 Washington DC 20013 — 202-447-3467

Administrator - ASCS

Senate Ag Committee

Keith D. Bjorke — 4/6/90

Larry B. Slagle — 7/20/90

Stephen D. Potts — 8-14-90

Reporting Individual's Name

Keith D. Bierke

Assets and Income

Page Number

2

BLOCK A: Asset & Income Source

BLOCK B: Valuation of Assets

BLOCK C: Income

BLOCK D: Transactions

	BLOCK A: Asset & Income Source	BLOCK B: Valuation of Assets	BLOCK C: Income	BLOCK D: Transactions
1	Northern Instruments and	X	X	
2	400 Acres Farmland owned	X	Crop income	$3582
3	640 Acres Farmland rented	X	Crop income	$35344
4	IRA - Pioneer Mutual Life	X	X	
5	Northwood State Bank-CD	X	X	
6	Farm Machinery	X	X	
7	Farm Co-op Stock *See Attachment A	X	X	
8	ND Air National Guard	X	military	$17678
9	Pioneer Mutual Life	X	dividends	$480
10				

PREVIOUS EDITION USABLE

Reporting Individual's Name
Keith D. Bjorke

ID Number: 3

1	Northwood State Bank, Northwood, ND	personal loan	1989	11½%	ondemand				X	
2	First Bank of ND, Bismarck, ND	personal loan	1989	10½%	4yrs				X	
3	Midwest Federal Bank, Minot, ND	Real Estate Mortgage	1985	11¾%	1-10				X	
4	Midwest Federal Bank, Minot, ND	Farm Machinery Mortgage	1989	12¾%	ondemand					X
5	Midwest Federal Bank, Minot, ND	Farm Operating loan	1989	12¾%	ondemand					X
6										

Normal area cash rent for farmland will be received by	Mark Nelson, Northwood, ND	1-1-90
me from Mark Nelson, Christopher Bjorke, Jon Omlid and	Christopher Bjorke, Northwood, ND	1-1-90
Gerald Omlid starting with the 1990 operating season	Jon + Gerald Omlid, Thompson, ND	3-1-90

Reporting Individual's Name

Keith D. Burke

4

Positions Held Outside U.S. Government

Name of Organization (Number and Address)	Type of Organization	Position Held	From (Month/Year)	To (Month/Year)
Pioneer Mutual Life, Fargo, ND	Life Insurance Co	Board of Directors	6-84	present
ND Air National Guard, Fargo, ND	National Guard	Aerospace Maintenance	7-69	present
Farm Foundation, Chicago, IL	Non-profit education	Board of Directors	1-84	5-89
ND Freedom of Enterprise Foundation, Fargo, ND	Non-profit education	Chairman	10-86	5-89
Northwood Community Development Assn, Northwood, ND	Community Development	Board of Directors	10-87	5-89

Compensation In Excess of $5000

Name of Source	Amount

Attachment A

United States Department of Agriculture
Agricultural Stabilization and Conservation Service
P.O. Box 2415
Washington, D.C. 20013

AUG 8 1990

TO: James Michael Kelly
Associate General Counsel

FROM: Keith D. Bjerke
Administrator

SUBJECT: Farm Co-op Stock

You have told me that a representative of the Office of Government Ethics called you last week to ask for more specific information regarding the entry entitled "Farm Co-op Stock" contained at line 7 on Schedule A of the SF 278, Financial Disclosure Report, which I signed on April 1, 1990, and submitted in connection with my nomination to serve as a Member of the Board of Directors of the Commodity Credit Corporation (CCC).

That single entry, which I have labelled simply "Farm Co-op Stock," in fact represents the total amount of deferred dividends owed to me by five cooperative enterprises with which I have dealt in recent years while engaged in operating Spruce Row Farm. The five cooperatives include (1) NODAK Rural Electric Cooperative, from which I purchased electricity; (2) Northwood Cooperative Oil Company, from which I purchased gasoline and other petroleum products; (3) Northwood Equity Elevator Company; (4) Thompson Farmers Elevator Company; and (5) Hatton Farmers Elevator, the latter three being cooperative elevators to which I sold grain produced on the farm.

When purchasing supplies -- in these cases, electricity and oil products -- from a cooperative enterprise, or selling grain to a cooperative elevator, the individual cooperative member earns dividends, some of which are deferred and retained by the cooperative. My combined deferred dividends in all of these cooperatives total approximately $16,000.

In my service as Administrator of the Agricultural Stabilization and Conservation Service, and as a Member of the Board of the CCC if I am confirmed for that position, I will of course recuse myself from participation in any particular matter which may arise within the Department of Agriculture involving or affecting any of the above named cooperative enterprises.

ASCS

United States Department of Agriculture
Agricultural Stabilization and Conservation Service
P.O. Box 2415
Washington, D.C. 20013

October 12, 1990

Honorable Patrick J. Leahy
Chairman
Committee on Agriculture, Nutrition,
and Forestry
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

On July 20, 1990, a copy of my SF 278, Financial Disclosure Report, required in connection with my nomination to serve as a Member of the Board of Directors of the Commodity Credit Corporation, was submitted to the Office of Government Ethics. That report contained all required financial information for calendar year 1989 and for the current calendar year through April 1, 1990.

The Ethics in Government Act of 1978, as amended, also requires that I update certain of the information reported on the SF 278, i.e., that required by section 202(a)(1)(A) of the Act, respecting income (other than dividends, interest, rents, and capital gains) and honoraria, to a date which occurs five days before the date of the hearing to be held by your Committee to consider my nomination. The hearing to be held on my nomination is presently scheduled for Monday, October 15, 1990. The purpose of this letter is to report that, as of October 10, 1990, I have received no income or honoraria in addition to those categories and amounts of income shown on my Financial Disclosure Report as dated and filed on April 1, 1990, except for the salary I have received since that date as Administrator of the Agricultural Stabilization and Conservation Service.

I trust that this letter satisfies the additional applicable reporting requirements contained in the Ethics in Government Act.

Sincerely,

Keith D. Bjerke

KEITH D. BJERKE
Administrator

ASCS

Senator CONRAD. Thank you very much.

Senator Cochran, do you have any opening statement?

Senator COCHRAN. Mr. Chairman, I have no opening statement, but I am pleased to be here this morning to join you in welcoming the nominee and to congratulate him on his selection. I feel that his experience and background and abilities qualify him for this position, and I look forward to working with him on the Commodity Credit Corporation as a member of the Board.

Senator CONRAD. All right. Mr. Bjerke, there are a series of questions that we need to ask for the record. Let's proceed to these questions and then go to your concluding statement—taking time for questions from Senator Cochran, and any other member that might appear.

Are you still actively engaged in farming?

Mr. BJERKE. I am not actively engaged. In fact, I am no longer a person in the eyes of ASCS. [Laughter.]

I have rented out my farm and sold my equipment and have totally disengaged from that operation.

Senator CONRAD. So you still own farm land that is rented.

Mr. BJERKE. Yes, sir.

Senator CONRAD. And the person who is renting it is a person who has the "person" designation—a real person.

Mr. BJERKE. Right, a real person.

Senator CONRAD. All right. No doubt you have followed closely, as have we all, the recent summit negotiations and the proposed $13 billion cut for agriculture over the next 5 years. Let's begin by asking, do you view the $13 billion cut for agriculture as a fair cut for the agricultural sector?

Mr. BJERKE. I view it as a bit excessive, honestly, that the amount is a high percentage in agriculture, and I think it is going to make a real impact as we look ahead.

Senator CONRAD. You are quite right, when we look at the amount of the cut, $13 billion—a 24 percent cut. What many involved in the budget process don't seem to realize is that agriculture has a different baseline than other sectors of the American budget. Inflation is not included in our baseline because target prices have been frozen. The real effect of the proposal is cuts substantially in excess of 24 percent. In fact, it is about equivalent to about a 40-percent reduction in real terms for agriculture over the next 5 years.

Are you aware that the administration in the negotiation pushed for an even bigger cut for agriculture?

Mr. BJERKE. I am not aware because I was not, of course, a party to the summit agreement. But it has been my understanding that we have stood for an equity cut, understanding that agriculture would be at the table.

Senator CONRAD. Well, would it surprise you to know that the administration's position was to cut agriculture $18 billion to $19 billion?

Mr. BJERKE. Was it a position or a starting point?

Senator CONRAD. Actually, their starting point was $24 billion. Would that surprise you?

Mr. BJERKE. A little.

Senator CONRAD. In your judgment, what would be the effect of an $18 billion or $19 billion cut in agriculture if $13 billion is excessive?

Mr. BJERKE. Well, you know, it goes geometrically as you increase the cut. So it is dependent on how it is spread out across the commodities and across the States and farmers involved.

Senator CONRAD. In your estimation, what would be the effect on farm income of a cut of $13 billion?

Mr. BJERKE. I think it is directly tied to our success in expanding trade. If we are successful in gaining a higher return to agriculture from the marketplace, I think it could be relatively insignificant. On the other hand, if we are not successful in expanding trade and doing an active increase in what we grow and what we market at a reasonable price and rely on the Government as our source of income, it is very high.

Senator CONRAD. What would you predict? Given the fact that CBO already anticipates a 21-percent reduction in net farm income before any of these cuts are taken into consideration over the next 5 years, what would your prediction be as to farm income over the next 5 years?

Mr. BJERKE. I think, if we are successful in the GATT negotiations, that farm income has an opportunity to increase as the market share increases and the cost per bushel increases and we get greater return to agriculture from the marketplace.

Senator CONRAD. So would it be your prediction that farm income will increase over the next 5 years?

Mr. BJERKE. I think it has a real possibility.

Senator CONRAD. OK. Let me turn to a question regarding the specifics of the agreement that has tentatively been reached between the Senate and House and the administration as to how these cuts will actually be implemented. As you know, they have adopted for the years 1992 through 1995 the notion that we will go to a triple base option of 15 percent. With your experience in agriculture, what do you anticipate those cuts would mean to a farm operation like the one that you had in North Dakota?

Mr. BJERKE. Well, as I mentioned in my opening statement, I grow wheat, I grow barley, I grow soybeans, all of which will be certainly affected by this base adjustment. In my particular area, we did grow some sunflowers at one time, and I don't currently—or my farm doesn't either. And I believe that with some flexibility, there probably would be some alternative crops coming back in if the market dictated.

As I understand triple base, you could, in fact, grow the program crop. It would just limit the base on which you would be paid. Then you would make the choice as to whether you wanted to grow wheat outside of a base protection payment or sunflowers or, in fact, expand our soybean acres. So there would be some market-sensitive options to the farmer. Certainly the guaranteed payment on that wheat acre is going to go down.

Senator CONRAD. What is your anticipation of what that would mean to the income of the individual farmer?

Mr. BJERKE. It is strictly tied, again, to the market price and how it plays out. If I could grow $12 sunflowers, they would compete very nicely with $3 wheat or $3.50 wheat. If wheat stays at $2 and

there is no market outlet for it, and sunflowers are at 6 or 7 cents, then it is a whole different scenario. So it really ties to how much we can market at what price as to whether or not the impact is great or little or somewhere in between.

Senator CONRAD. Have you looked at the internal USDA studies regarding our success at GATT in terms of the administration's proposal? Have you looked at the studies as to what the GATT proposal would do to farm income in our region of the country?

Mr. BJERKE. The best study that I have seen is the one that was done just this year by ERS, which indicates that taking into account that we do not expect increases in Government outlays for farm participation, that by far the best alternative for farm income is a successful GATT round.

Senator CONRAD. Let me go back to the question of the GATT. When that study was done, was it based on the goal the administration had at that point of a level playing field? Or was it based on the latest formulation the administration has proposed?

Mr. BJERKE. Well, it was done earlier on the level playing field because the latest administration goals are, even as we speak, being placed on the table. So there has been no immediate study that I am aware of on current tabled discussion.

Senator CONRAD. Are you aware that they have abandoned the level playing field option and that they are now proposing equivalent percentage reductions in the level of support by the EC and the United States?

Mr. BJERKE. I am not up on the current tabling. I have been deeply involved in the farm bill process, and since GATT does not come under the ASCS portfolio, I have not seen the latest.

Senator CONRAD. In your judgment, what would be the effect of the administration's proposal to reduce internal supports by the EC and the United States by an equal 75 percent, understanding that Europe has a much higher level of support to begin with?

Let me give you a specific example. In our proposal, Durum support in the EC would go to approximately $5 a bushel in the United States to approximately $3 a bushel. What do you think the effect would be in the United States if this situation were to occur?

Mr. BJERKE. I think we have to look at what GATT is all about, and I see GATT as more of a trade bill than it is a farm support bill. I think there are many ways in which we can deliver support to our American farmers that are not contrary to the GATT proposal. And we really shouldn't be comparing a bushel of Durum in North Dakota to a bushel of Durum in France, but, rather, how we compete on the export market and how we take out the external subsidies that really affect that market share. Because there are many different lists and many different ways in which we can continue to support agriculture on the internal basis that would not be GATT negative, and still it allows us to compete for that market share that sets world price and sets the ability of farmers to produce for a marketplace.

Senator CONRAD. Are you aware of any funding that is included in the administration's submission or in the negotiations going on now regarding the 5-year budget for agriculture that would provide funds for any agricultural supports?

Mr. BJERKE. No, I am not.

Senator CONRAD. In this case aren't we saying to farmers in this country, look, you are going to receive $3 while they receive $5—go ahead and compete? Explain to me what your reaction to that is in terms of fairness to American farmers.

Mr. BJERKE. Well, it really doesn't matter to me if the European public is willing to pay $10 a bushel for a bushel of Durum, as long as what they export to the growing needs around the world is on a level playing field with what I export on the growing needs around the world. I think you will find that the American farmer, if he can market his commodities around the world, will be very competitive in market share, and that our efficiencies are very good, and that the local price will expand to fill that need and thereby give us an opportunity to use our efficiency as a positive rather than a negative.

Senator CONRAD. Are you familiar with what the Europeans have done in the last 5 years, for example, in terms of market share of wheat?

Mr. BJERKE. Absolutely.

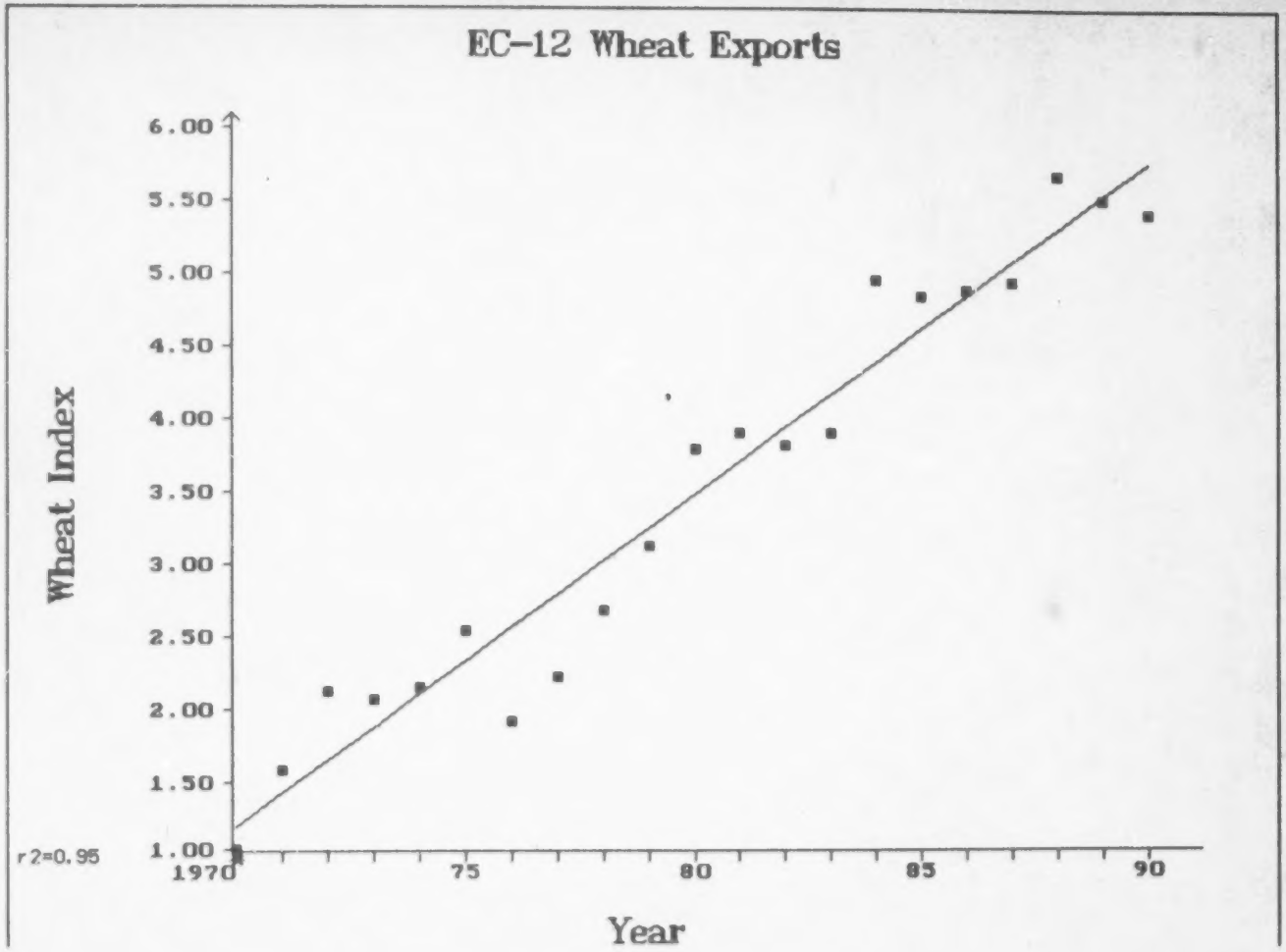
Senator CONRAD. Could you just relate for the committee what the trend has been?

Mr. BJERKE. Well, they dump it at whatever price they need to, sometimes two or three times the value of the bushel. If wheat is worth $2, they are willing to pay $4 or $6, it seems, to deliver it to one of our markets.

Senator CONRAD. I am having a chart brought in that shows this 5-year trend. To sum up what the chart shows, the EC has experienced more than a fivefold increase in terms of exports. Everyone else has been basically static. Of course, one of the reasons the EC has done this is because they have had a high internal support, and because they dump their wheat on the export market, and seize market share.

This is the chart I was referring to. This shows the EC-12, and the wheat export index that starts at 100 in 1970. You can see that the EC has absolutely exploded with a fivefold increase. Everybody else has remained basically static. They have been able to do this through high internal support and through dumping. Some of us are very concerned by proposals that will allow them to maintain this significant advantage. It is very difficult to support the infrastructure for agriculture if one group of participants is at $5 and another is at $3.

[The EC-12 Wheat Exports, Wheat Index chart referred to by Senator Conrad follows:]


EC-12 Wheat Exports
Wheat Index
6.00
5.50
5.00
4.50
4.00
3.50
3.00
2.50
2.00
1.50
1.00
r2=0.95
1970
75
80
85
90
Year

Senator CONRAD. Let me return to the question of the budget summit and the administration's position. As I indicated, the administration was pushing originally for $24 billion in cuts; they have backed off to $18 or $19 billion. Did you support the administration's position in terms of the cuts for agriculture?

Mr. BJERKE. I will support the administration in its positions as long as I am aware and have, you know—I was not a part of the summit as an individual, but certainly I stand by the strategy that they are using to bring the budget under control.

Senator CONRAD. But you indicated earlier that you felt that a cut of $13 billion is excessive in terms of fairness to agriculture. So what would be your feeling of the administration's position of $18 billion or $19 billion?

Mr. BJERKE. I would feel that 18 is higher than 13. I think everyone has said that we need to get our budget under control. You have been very vocal in that, other people as well. And I think everyone is also willing to take their fair hit. I would hope that in negotiations between the Congress and the administration that we end up with a fair hit for all concerned areas.

Senator CONRAD. I originally asked you if you thought $13 billion was fair, and your answer was, as I recall, that it was excessive. Since 18 is more than 13, wouldn't you find 18 as excessive?

Mr. BJERKE. Certainly.

Senator CONRAD. But that was the administration's position. Do you support that position?

Mr. BJERKE. I don't know how to answer the question. I think I support the negotiation. To say that I support $18 billion as a cut from agriculture is not true. I do not support $18 billion. I think that was more than our fair share. I think that 13 is a very big hit for agriculture. And as I look at my small corner of the numbers, it indicates that agriculture is taking a major hit. I think if that is the will of Congress and the agreement of the administration that that is the hit that is required and is a fair distribution of the hit, I will do what I am here to do, and that is to administer those programs as fairly and openly as I can.

Senator CONRAD. The question I have is whether you support the administration's position of an $18 billion cut.

Senator BOND. Mr. Chairman, may I just interject and say you have a man who has been nominated by the administration, he gives his views to the administration. I don't think any of us who have been involved in the deliberations of the Agriculture Committee are going to be willing to say that without an effective GATT negotiation which gets rid of all trade-distorting subsidies and barriers, that U.S. agriculture can take the kinds of reductions that are proposed in the budget summit agreement between the leadership of Congress and the administration.

I think it is a great disservice. I believe that we need to continue to support our international marketing efforts, whether they be target price, deficiency payments, marketing loans, or the EEP programs. Frankly the Agriculture Committee is just one view. While I believe Mr. Bjerke has clearly given his indication that he sympathizes with these views, when the administration and Congress have agreed on a number, a nominee for a position in the administration, which is subject to appointment by the administration and

confirmation by the Senate, can't very well say you are a bunch of dummies. I think he has already indicated that he has grave concerns over it, as we all do. And I would hope that we could look at his qualifications and determine whether, given the perhaps unsound policies that may be forced upon the Department of Agriculture as a result of the budget crunch, he will be able to carry out his responsibilities in an effective manner. Unfortunately that is about as far as we can go, because we don't have the budget negotiators before us.

Senator CONRAD. It strikes this one Member that Mr. Bjerke is a nominee for a very important spot in the administration, a key spokesman for agriculture. Agriculture has taken an excessive cut here. I think it is relevant to ask whether or not he supports the position of the administration that has nominated him, a position to take an even larger cut for agriculture. It seems to me at this time when people are confronted with the prospects of what this means, his view on what such cuts mean to agriculture is relevant and important.

So I would just go back to the question regarding your position on the administration's advocacy of an $18 billion cut. Would you support that or would you not support it?

Mr. BJERKE. I would again try to say that the negotiating position, be it 18 percent, 20 percent, or 15 percent, as a starting point may have been appropriate, and, yes, I would support that as a negotiating point. I believe that the resolution at this point that has been agreed to by the administration is 13 to 13.5, 13.6, something like that. And so the administration probably didn't support either a 24-percent cut but, rather, starting from zero on one end and 24 on the other, they have agreed to settle out at 13, and that that is everyone's combined assumption that that is the fair hit for agriculture. And that I will support and I will work to carry out.

Senator CONRAD. Well, let me just make clear that we are told that the administration's initial position wasn't 24 percent or $13 billion. It was $24 billion. Their most recent position was agriculture ought to be cut $18 billion or $19 billion, and we wound up in the negotiations at $13 billion, which you would describe as excessive. I don't want to misstate your position here, but as you indicated earlier, you felt $13 billion was more of a hit than agriculture should take.

Mr. BJERKE. I think it is going to be a painful hit for agriculture. I think the $500 billion savings in all of America is going to be a painful hit.

Senator CONRAD. Let me ask you this: What can you do in this position to offset the effective of those cuts? In your view, what is the opportunity in that position to offset these major cuts?

Mr. BJERKE. I think that as the Administrator of ASCS we have the ability to work and make sure that we have equal, fair distribution of all farm programs, and we have been and will continue to do that. As a Commodity Credit Corporation Board, which is more to the point of today's hearing, I think that we do have the ability with that authority to make sure that funds are available on a timely basis and that they go out under the appropriated will of Congress in such a way that we don't add harassment to the pain.

Senator CONRAD. Are there any steps in your view that can be taken by CCC that would reduce the impact on income of these cuts?

Mr. BJERKE. Only in that the new farm bill that is currently being debated has several programs in it that will require the funding from CCC, and so far as we maintain the integrity of those programs and make sure that the intent of Congress and the rules and regulations as established by the administration are carried out fairly and openly and available to all comers.

Senator CONRAD. All right. Kit, do you have an opening statement?

STATEMENT OF HON. CHRISTOPHER S. "KIT" BOND, A U.S. SENATOR FROM MISSOURI

Senator BOND. I would only say that I believe based on my experience working with the nominees, and particularly John Datt whom I probably know better than the others, I think the administration has recruited some very able people to serve in important positions. And I would hope that we could confirm these nominees and get them to the floor so they can go to work right away.

I know that these are difficult times, and as I indicated earlier, I think it would have been much better had the summit negotiators come up with a plan to maintain our international competitiveness in agriculture with a promise that when we do negotiate a significant reduction, if not a complete elimination—which is the administration's position and my position—of unfair subsidies and barriers to international trade, we could make very significant cuts in the amount we have to spend on agriculture, leaving the American farmer to plant for and get his returns from the marketplace, which is far more reliable than the legislative and appropriating process that we go through in the Congress.

But having said that, I am sure that the nominees understand that, and that they will have to carry out the programs of the Department of Agriculture under the guidelines adopted in congressional legislation and administrative regulation. I appreciate the opportunity to listen to the nominees today. I hope that we will be able to confirm them promptly.

Senator CONRAD. Thad, any questions or statements?

STATEMENT OF HON. THAD COCHRAN, A U.S. SENATOR FROM MISSISSIPPI

Senator COCHRAN. Mr. Chairman, I am glad to have a chance to at least reiterate my conviction that this nominee comes to us this morning for confirmation with a background and abundance of experience that will equip him to capably discharge the duties of a member of the Board of the Commodity Credit Corporation. Some might have gotten confused. The nominee was new to us, and we didn't know much about him, judging from the line of questions that have been put to him. The fact of the matter is, as I understand it, he serves now as Executive Vice President of the Commodity Credit Corporation and as Administrator of the Agricultural Stabilization and Conservation Service of the Department of Agriculture.

The job he assumes as a member of the Board is one that he undertakes in company with 10 others. The Commodity Credit Corporation, as I understand it, is an 11-member Board that simply carries out the oversight responsibility for the way the Commodity Credit Corporation discharges the duties that are authorized and directed by Congress.

So it seems to me, Mr. Chairman, that our nominee this morning is clearly well qualified, and I am very pleased that he has been nominated for this position. As I understand his background, he was North Dakota's outstanding young farmer in 1974. He is a member of the board of directors of the Minneapolis Grain Exchange in Minneapolis, Minnesota. He has received numerous awards as a farmer, businessman, and citizen of the State of North Dakota.

He has been chairman of the board, for example, of the Greater North Dakota Association, which is similar to a State Chamber of Commerce. He has served a long time as executive board member of the National Pork Producers Council.

I don't know of anyone the President or the Secretary of Agriculture could have recommended to us this morning who would be more clearly well qualified and equipped because of his background and experience to be a member of the Board.

I hope, Mr. Bjerke, that you agree with those of us who hope that we can see farm income increase through a maintenance of our aggressive marketing approach in the domestic and international marketplace for U.S.-produced agricultural products. Specifically, I am thinking of our 1985 farm bill programs that have proven to be beneficial. I ask you if you think that that would be a way that we could help ensure maintenance of high income and increasing income for our Nation's agriculture sector?

Mr. BJERKE. Yes, sir, I definitely do agree that the marketing approach is what I support; that the 1985 farm bill set new standards for agriculture to reach out and begin to get competitive in the marketplace yet maintaining a safety net for farmers across America. I salute the success of that farm bill and look forward to building on it as we conclude the negotiations in the 1990 act.

Senator COCHRAN. We are hoping to resolve our differences with the House conferees maybe as early as this afternoon. That may be overly optimistic, but we are trying, as we always do, to work with some very committed negotiators on the part of the House. One of the issues that we have yet to resolve is the question of how flexible we permit the law to be with respect to the marketing loan payment limitations. I know that you as Administrator of ASCS participated in the development of regulations that sought to address some of the concerns about payment limitations, and the Senate bill that we passed codifies those regulations, in effect. We are hoping that we can prevail in our negotiations with the House this afternoon. Any suggestions you have about how we might proceed in that regard would be welcomed at this time.

Mr. BJERKE. Sir, the one thing that I would like to comment on as far as payment limit is concerned, the press has been rather interested, since I have been in town, in looking at perceived abuses of that system. I think most of those accounts have gone back 2 to 3 years from today, and it is important to understand that many of

those perceived problems have already been addressed and I believe solved. And we would support strongly a continuation of today's current implementation and/or rules and regulations concerning payment limitation.

Senator COCHRAN. Thank you very much.

Thank you, Mr. Chairman.

Senator CONRAD. Thank you, Senator Cochran.

If we could just pursue that one minute more, as you know, there have been lots of proposals and payment limitations and a good deal of press activity on this question. I think it might be useful for the record if you would just talk a little more about the steps that have been taken to deal with abuses or perceived abuses.

Mr. BJERKE. The actively engaged portion of payment limitation is a very key element because it brings people to the table that, in fact, know what is going on in their operation. Another issue that was addressed in recent months, actually, has been the length of time for irrevocable trust. By extending that time, we have closed an opportunity to change the rules, so to speak, on more of a short-term basis. And I think that these two issues tend to bring it more into focus and to carry out the intent of Congress which was clearly to limit the payment to an individual producer.

Senator CONRAD. Very good. Let me drop my role here as chairman of this nominating committee hearing and turn to my role as a Senator from North Dakota to tell you how proud North Dakotans are that you have been chosen for this position. As Senator Cochran quite correctly pointed out, you bring a record of distinguished public service to this role. We in North Dakota believe the administration made an excellent choice by appointing you to this position. You will do an excellent job in this position. You have a challenge on your hands, but you are very capable of meeting that challenge.

Any other final comments, Senator Bond or Senator Cochran?

Senator BOND. I like the tone of it. I think we ought to leave it the way it is.

Senator CONRAD. Keith, any final comment that you would want to make?

Mr. BJERKE. No, sir. Only that I am proud of the progress that is being made as we debate the 1990 farm bill. I think that there has been interesting debate. I believe it is coming together in a role that we can administer. As you are aware, I brought a sheet of paper to Congress about 3 weeks ago indicating that when the farm bill is passed, ASCS and Commodity Credit Corporation will then go to work, and that we have a tremendous task to deliver this program to the consuming public. We are looking forward to that challenge, and we anticipate doing it with all speed.

Senator CONRAD. Very good. Thank you very much.

Next we will turn to the two nominees for positions with the Farm Credit Administration: Billy Ross Brown and John Datt. If both of you will come forward we will swear you in. Do you solemnly swear the testimony you are about to give will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. BROWN. I do.

Mr. DATT. I do.

Senator CONRAD. Welcome. Be seated.

Senator COCHRAN. Mr. Chairman, could I have the pleasure and honor of presenting my good friend and constituent, Billy Ross Brown, to the committee?

Senator CONRAD. Yes.

Senator COCHRAN. It was my pleasure to recommend Mr. Brown for this position to the administration, and I might say that I was joined in that recommendation by my fellow Senator, Trent Lott, and the Honorable Jamie Whitten, who is the Member of Congress who represents the district where Billy Ross Brown has lived for all his life. And I must say that we are very pleased that the administration nominated, submitted his name to the committee for confirmation.

He has a long record of service in our State in many civic and political positions. He has been a lifelong farmer and cattleman in Lafayette County, Mississippi. You might get confused about Lafayette County—it just happens to be spelled the same way the French general spelled his name.

The fact is he has also been a person who has been looked to for leadership in farm credit association matters. He has been a successful businessman. He has been a member of the Mississippi National Guard and has served as an officer for some time. He is also very highly regarded by everybody who knows him, Mr. Chairman, as someone who is a person of unquestioned integrity, honesty, and good judgment.

For all of these reasons, it was my privilege to recommend him for consideration by the administration to serve on the Farm Credit Administration Board. I think he comes to this job with a lot of unique qualifications. His personal knowledge of the Farm Credit System is unequaled by anyone who has lived and worked with it over his lifetime, as he has. He also knows the practical side of being a member borrower and some of the problems that one encounters and some of the challenges that we have in helping make this Farm Credit System a responsive and sensitive lending program for our landowners throughout the country.

It is really an honor and with a great sense of pleasure that I introduce and present to you this morning Billy Ross Brown of Oxford, Mississippi, for membership on the Farm Credit Administration Board.

Senator CONRAD. Thank you very much.

Senator Bond.

Senator BOND. Mr. Chairman, I will assume the role of presenting to the committee my good friend, John Datt, who has worked since 1950 with the American Farm Bureau here and in Park Ridge, Illinois. To present John to the committee is superfluous because all of us who work in agriculture know of John's dedication. He began as a research economist, having received a bachelor's degree in economics from Muskingum College in New Concord, Ohio, and then a master's degree from Pennsylvania State University. He worked his way up as an assistant legislative director and in 1976 became director of the Washington office. From 1979 to 1985, he was secretary, administrator and officer of the Federation, and from 1985 to the present he has been executive director of the Washington office.

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He has been obviously very much involved in and committed to the future of agriculture, and all of us who have served in the U.S. Congress and worked on agricultural matters know John as a very familiar face. We are delighted to be able to recruit him and to see that the administration is enlisting him for this very important position. I would take great pleasure in presenting him to the committee and would urge my colleagues to investigate his record and then to move quickly to successful confirmation.

Senator CONRAD. All right. Thank you.

Welcome, both. We have required questions that we need to get out of the way. Why don't we ask you both these questions and then proceed to other questions that need to be asked?

If you are confirmed by the Senate, will you faithfully execute the laws passed by Congress, regardless of any prior statements you have made or biases you may have held?

Mr. BROWN. I will.

Mr. DATT. I will.

Senator CONRAD. If your nomination is approved by the committee and the Senate, do you promise to respond to requests to appear and testify before this committee or any other duly constituted committee of the Senate? Mr. Brown? Mr. Datt?

Mr. BROWN. I do.

Mr. DATT. I do.

Senator CONRAD. All right. Thank you. I have several questions to ask both of you, after which Senator Cochran and Senator Bond will have the opportunity to ask their questions. After their questions you may make your final statement.

Mr. Brown, you have been a director of First South Production Credit Association since 1985. In October of 1987, the Farm Credit Administration issued a consent cease and desist order against First South based on alleged unsafe and and unsound lending practices. Since that time, FCA officials say that First South has improved, but it remains under what they call special attention. Could you tell us what were the nature of Farm Credit Administration's concerns and how has First South improved its operations as a result of the cease and desist proceedings?

TESTIMONY OF BILLY ROSS BROWN, JR., OF MISSISSIPPI, NOMINATED TO BE A MEMBER OF THE FARM CREDIT ADMINISTRATION BOARD, FARM CREDIT ADMINISTRATION, FOR THE TERM EXPIRING OCTOBER 13, 1994

Mr. BROWN. Let me make this statement, please, Mr. Chairman. I was a member of the board of directors of First South PCA in 1987. In that year, the FCA, as a result of an examination of the PCA, identified several weaknesses and concerns regarding the association's operations. The FCA informed the PCA board of directors of the agency's concern and advised the PCA that it intended to issue a cease and desist order designed to require the association to correct the deficiencies.

As a member of the PCA board, I listened to the FCA's concerns and its proposal for correction contained in the cease and desist order. Ultimately, the PCA board agreed to consent to the cease and desist order. I would also note that subsequent FCA examina-

tions have indicated that the PCA has taken substantial steps to improve its operation in the areas cited in the order.

Senator CONRAD. All right. What steps has First South taken to improve its operations?

Mr. BROWN. The C&D order from FCA requires several things that we had to do. One, we set up a C&D committee with members of the board, and they identified the loans that were causing the problem. These loans had to be reviewed on a bimonthly basis and have a workout plan. These loans were reviewed every 2 months, and the workout plan was updated until the loans were brought up to standard.

Senator CONRAD. As a First South director, do you personally feel that the FCA's complaints against the PCA were justified?

Mr. BROWN. Yes, I do.

Senator CONRAD. And as an FCA Board member, would you be prepared to bring similar complaints against other System institutions?

Mr. BROWN. Yes.

Senator CONRAD. Mr. Brown, we understand that First South is currently a plaintiff in a lawsuit against FCA to block a forced merger of the Jackson Federal Intermediate Credit Bank with the Texas Farm Credit Bank. First South is opposed to the merger because it and the Jackson Credit Bank would prefer a merger with the Wichita Farm Credit Bank. Recently, a Federal district court judge ruled in favor of FCA in the suit, and appeals are pending.

What has been your direct involvement in this lawsuit as a First South director?

Mr. BROWN. Mr. Chairman, the nomination to the position that we are now discussing has been in the mill for 2 years now, and my name was put forth 2 years ago. When the lawsuit issue came up with the First South board, I would excuse myself from the meetings. I did not vote nor did I take part in any discussion about the lawsuit.

Last year, when I was interviewing here in Washington for this position, I saw that there could be some opposition because I was on a board that had filed suit against the FCA. So I thought it would be good if I wrote a letter. That was in November 1989—explaining my position. I would like to take the opportunity to read one paragraph out of that letter which was addressed to the White House personnel, Secretary Yeutter and Harold Steele.

Senator CONRAD. Please do.

Mr. BROWN. "I can assure that if nominated to the position by the President and confirmed by the Senate I will comply with both the letter and the spirit of all formal ethical standards, as well as refrain from doing anything which might even suggest any ethical problems or give the appearance of impropriety. Specifically, I would recuse myself from any consideration, deliberation, or vote on matters before the FCA Board concerning the litigation or any other activities in which First South PCA is involved and of which I had personal knowledge prior to appointment and confirmation."

Senator CONRAD. So if you were confirmed, it would be your position that you would abstain or recuse yourself from any involvement as an FCA Board Member with this matter?

Mr. BROWN. That is correct.

Senator CONRAD. Thank you for that answer.

How do you personally view FCA's merger authority? Does the FCA have, in your view, the legal power to force mergers between Farm Credit Banks like Jackson and Texas?

Mr. BROWN. You are asking my opinion, and I think maybe I can give you an opinion. There was a great deal of debate over this, of course, when the law was being discussed, and it was my opinion, and still is, that associations—I mean the 410 merger of land banks and FICB is what amounted to a merger. But I think the law is very clear when it says when you merge districts, it takes a vote of stockholders. I think that would be my opinion.

Senator CONRAD. All right. That would be your position as to the authority of the FCA.

Mr. BROWN. Yes.

Senator CONRAD. All right. Thad, do you want to ask any questions?

Senator COCHRAN. Mr. Chairman, I'm glad, as I said before, to be here to present William Ross Brown to the committee. It also occurs to me when we are inquiring about one's view of legal power and authority that in all probability these administrators are going to have the benefit of a lot of legal counsel and advice and staff who will recommend to them what the law is or should be.

I presume on the ordinary course of business those consultations will be looked upon as advisory and would be considered helpful to you in making decisions like this. I presume that would be the way that things would work.

In connection with the past experience, do you think your experience as a PCA Board Member probably gives you a lot of insight that others might not have into some of the problems that are encountered in day-to-day practices of lending institutions of the Farm Credit Administration entities?

Mr. BROWN. I think so, yes, sir.

Senator COCHRAN. Do you have any question about whether you would be able to handle the duties of the job that you have been nominated for by the President?

Mr. BROWN. No, sir.

Senator COCHRAN. Thank you, Mr. Chairman.

Senator CONRAD. Thank you, Senator Cochran.

Mr. Brown, do you have a statement that you would like to make or enter into the record?

Mr. BROWN. Yes, sir.

Senator CONRAD. We would be happy to hear that.

STATEMENT OF BILLY ROSS BROWN, JR.

Mr. BROWN. Mr. Chairman, I appreciate the opportunity to appear before you today and am truly honored to be present for this occasion. Farm credit is deeply embedded in my life from the early beginning. My grandfather was a member borrower of the Production Credit Association. My father was a member borrower who also served on the local PCA board for over 20 years. In fact, as a young boy, I knew where the PCA office was long before I knew where the mayor's office was. The members of our local PCA have elected me to the board of directors for 22 years—9 of which I

served as chairman. Although my experience with farm credit is strictly grassroots, I believe that with the very able staff and Board Members of the Farm Credit Administration, I will be able to exercise sound judgment in carrying out the overall philosophy and spirit of the mission of the Farm Credit Act.

As you know, Congress enacted major changes in 1985 affecting the regulation of the Farm Credit System. Those changes removed the authority of the FCA to supervise the day-to-day operations of the Farm Credit System. Mr. Chairman, that role was an inappropriate role for a regulator. In passing that legislation, Congress clearly intended that the FCA serve as the examiner and enforcer to ensure the safety and soundness of the financial operations of the Farm Credit System as well as compliance with laws and regulations.

While my experience to date has been within the System, as I assume the responsibilities of my new position, if confirmed, I will be removing that hat to become a part of a board which is a true arm's-length regulator. Through that role, I hope to play a part in ensuring that the safety and soundness of the System's institutions are maintained for the benefit of America's farmers who own and borrow from it, and of those who invest in its bonds.

I look forward, if confirmed, to working with this committee and the Congress in regulating the farm credit system.

[Material submitted by Mr. Brown follows:]

BIOGRAPHICAL INFORMATION (PUBLIC)

1. Full name (include any former names used).

William Ross Brown, Jr.

2. Address: List current place of residence and office address(es). List all office and home telephone numbers where you may be reached.

Route 4, Box 241-G, Oxford, Mississippi 38655 Home telephone: (601) 234-5240

3. Date and place of birth.

March 5, 1934, Oxford, Mississippi

4. Marital Status (include maiden name of wife or husband's name). List spouse's occupation, employer's name and business address(es).

Lynn Widdifield Brown - homemaker

5. Education: List each college and graduate or professional school you have attended, including dates of attendance, degrees received, and dates degrees were granted.

See attached resume

6. Employment Record: List (by year) all business or professional corporations, companies, firms, or other enterprises, partnerships, institutions and organizations, nonprofit or otherwise, including farms, with which you were connected as an officer, director, partner, proprietor, or employee since graduation from college; include a title and brief job description.

Self employed farmer and Director of First South Production Credit Association

7. Military Service: Have you had any military service? If so, give particulars, including the dates, branch of service, rank or rate, serial number and type of discharge received.

See attached resume

8. Government Service: State (chronologically) your government service or public offices you have held, including the terms of service grade levels and whether such positions were elected or appointed.

See attached resume

9. Honors and Awards: List any scholarships, fellowships, honorary degrees, and honorary society memberships that you received and believe would be of interest to the Committee.

See attached resume

10. Other Memberships: List all organizations to which you belong, excluding religious organizations.

See attached resume

11. Published Writings: List the titles, publishers, and dates of books, articles, reports, or other published materials (including published speeches) you have written. Please include on this list published materials on which you are listed as the principal editor. It would be helpful to the Committee if you could provide one copy of all published material that may not be readily available. Also, to the maximum extent practicable, please supply a copy of all unpublished speeches you made during the past five years on issues involving agriculture, nutrition, forestry or commodity futures policy or related matters.

None

12. Health: What is the present state of your health?

Excellent

RESUME

WILLIAM ROSS BROWN, JR.

Address:

Rt. 4, Box 241-G
Oxford, Mississippi 38655
Telephone: (601) 234-5240

Personal Data:

Born March 5, 1934
Married the former Lynn Widdifield in January, 1958
Children: Patricia Lee, Virginia, John, and Maggie

Education:

1952	University High School Oxford, Mississippi
1956	University of MS - Bachelor of Business Administration University, Mississippi

Military Service:

1963-64	Member of Squadron Staff Mississippi National Guard
1961-63	Commander, Howitzer Battery Mississippi National Guard Water Valley, Mississippi
1957-64	Member, Mississippi National Guard
1956-57	United States Infantry School Fort Benning, Georgia
1956	Distinguished Military Graduate Commissioned as Second Lieutenant United States Army Reserve

Work Experience:

Life-long farmer and cattleman in Lafayette County, MS

Successful business entrepreneur in Oxford, MS -- owner and operator of several small businesses

William Ross Brown, Jr.
Resume - Page 2

Professional Affiliations:

1985-89	Member of the Board, First South Production Credit Association
1969-88	Area Vice President of Area III, MS Assn. of Conservation Districts
1957-89	Commissioner, Lafayette County Soil and Water Conservation District
1977-89	Member, MS Soil & Water Conservation Commission
1982-86	Chairman, MS Soil & Water Conservation Commission
1969-85	Member of the Board, Oxford Production Credit Association
1976-85	Chairman of the Board, Oxford Production Credit Association
1976-79	Member, National Advisory Committee, U. S. Forest Service

Awards:

1982 & 1988	Presidential Award, MS Association of Conservation Districts for outstanding devotion and service
1978, 1979 & 1988	Outstanding Commissioner for Area III, MS Association of Conservation Districts
1985	Member, Hall of Fame, MS Agriculture & Forestry Museum
1979	Lafayette County SWCD Outstanding Wildlife Conservation Award for MS, presented by the MS Wildlife Federation
1976	Forest Service 75th Anniversary Award (USDA) for significant contributions to forestry and conservation
1969	Soil Conservation Society of America, MS Chapter for distinguished service in practicing the science and art of good land use

Political Affiliations:

Life-time participation in Democratic Party

1977-84	Member, Lafayette County, MS Democratic Executive Committee
1972-76	Honorary Colonel on Staff of Democratic Governor William (Bill) Waller

FINANCIAL DATA AND CONFLICT OF INTEREST (PUBLIC)

1. **Have you severed all connections with your immediate past private sector employers, business firms, associations, and/or organizations?** First South Production Credit Association has my resignation to be effective upon confirmation of my nomination.
2. **List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, incompleted contracts and other future benefits which you expect to derive from previous business relationships, professional services, firm memberships, former employers, clients, or customers.**
None
3. **Do you, or does any partnership or closely held corporation in which you have an interest, own or operate a farm or ranch? (If yes, please give a brief description including location, size and type of operation.)**
See attached
4. **Have you, or any partnership or closely held corporation in which you have an interest, ever participated in Federal commodity price support programs? (If yes, provide all details including amounts of direct government payments and loans received or forfeited by crop and farm, etc. during the past five years.)**
No
5. **Have you, or any partnership or closely held corporation in which you have an interest, ever received a direct or guaranteed loan from or cosigned a note to the Farmers Home Administration? (If yes, give details of any such loan activity during the past five years.)**
No
6. **Have you, or any partnership or closely held corporation in which you have an interest, ever received payments for crop losses from the Federal Crop Insurance program? (If yes, give details.)**
No
7. **If confirmed, do you have any plans, commitments, or agreements to pursue outside employment or engage in any business or vocation, with or without compensation, during your service with the government? (If so, explain.)**
No
8. **Do you have any plans to resume employment, affiliation, or practice with your previous employers, business firms, associations, or organizations after completing government service? (If yes, give details.)**
No
9. **Has anyone made a commitment to employ you or retain your services in any capacity after you leave government service? (If yes, please specify.)**
No
10. **Identify all investments, obligations, liabilities, or other relationships which involve potential conflicts of interest in the position to which you have been nominated.**
First South Production Credit Association requires directors to have a loan and own stock in the Association. I have recently paid the loan in full and own no stock. The chairmar of First South PCA has my resignation in hand stating that I will resign from the Board upon confirmaiton of my appointment to the Farm Credit Administration Board by the Senate

11. Have you ever received a government guaranteed student loan? If so, has it been repaid?

No

12. If confirmed, explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items.

See # 10 above

FINANCIAL DATA AND CONFLICT OF INTEREST (PUBLIC)

3. Do you, or does any partnership or closely held corporation in which you have an interest, own or operate a farm or ranch? (If yes, please give a brief description including location, size and type of operation.)

Yes - approximately 300 acres of timber and soybeans located 2 miles south of Oxford, Mississippi on Highway 7. I rent the farm to another person and he makes all farming decisions.

United States
Office of Government Ethics
Suite 500, 1201 New York Avenue, N.W.
Washington, D.C. 20005-3917

August 7, 1990

The Honorable Patrick J. Leahy
Chairman
Committee on Agriculture, Nutrition and Forestry
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by William Ross Brown, Jr., who has been nominated by President Bush for the position of Member of the Board of the Farm Credit Administration.

We have reviewed the report and have also obtained advice from the Farm Credit Administration concerning any possible conflict in light of its functions and the nominee's proposed duties. Upon his confirmation to this position, Mr. Brown has agreed to resign as Director of the First South Production Credit Association.

Subject to the fulfillment of this commitment, we believe that Mr. Brown is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

Donald E. Campbell

Donald E. Campbell
Acting Director

Enclosure

Financial Disclosure Report

Page 1

Reporting Status (Check Appropriate Box)			Agency Use Only	OGE Use Only	Date of Appointment, Candidacy, Election or Nomination (Mo., Day, Yr.)	Termination Date (If Applicable) (Month, Day, Year)
☐ Incumbent	☒ New Entrant, Nominee, or Candidate	☐ Termination Filer		JUL 30 1990	7/23/90.	

Reporting Individual's Name	Last Name: BROWN	First Name and Middle Initial: WILLIAM ROSS JR.
Position for Which Filing	Title of Position: MEMBER OF THE BOARD	Department or Agency (If Applicable): FARM CREDIT ADMINISTRATION
Location of Present Office	Address (Number, Street, City, State and ZIP Code): Home address: Route 4, Box 241-G Oxford, Mississippi 38655	Telephone No. (Include Area Code): (601) 236-5760
Position(s) Held With the Federal Government During the Preceding 12 Months (If Not Same as Above)	Title of Position(s) and Date(s) Held: None	

Presidential Nominees Subject to Senate Confirmation	Name of Congressional Committee Considering Nomination: Senate Committee on Agricultural, Nutrition & Forestry	Do You Intend to Create a Qualified Diversified Trust? ☐ Yes ☒ No

Certification	Signature of Reporting Individual	Date (Month, Day, Year)
I CERTIFY that the statements I have made on this form and all attached schedules are true, complete and correct to the best of my knowledge and belief.	William Ross Brown Jr	7 26 90
Other Review (If desired by agency)	Signature of Other Reviewer	Date (Month, Day, Year)
Agency Ethics Official's Opinion: The information contained in this report discloses no conflict of interest under applicable laws and regulations.	Signature of Designated Agency Ethics Official/Reviewing Official: Stephen W. Fuller	7-27-90
Office of Government Ethics Use Only	Signature: Donald E Campbell	8-7-90

Comments of Reviewing Official (If additional space is required, use the reverse side of this sheet)

If confirmed, will resign as director of the First South Production Credit Association, Jackson, MS prior to appointment to the FCA Board.

(Check box if comments are continued on the reverse side) ☐

Reporting Periods

Incumbents: Complete Schedules A, B, C, and Part I of D. The reporting period is the preceding calendar year except for Part II of Schedule C and Part I of Schedule D where you must also include any positions held or agreements or arrangements made from the beginning of the filing year until the date you file.

Termination Filers: Complete Schedules A, B, C, and Part I of D. The reporting period begins at the end of the period covered by your previous filing and ends at the date of termination.

Nominees, New Entrants and Candidates for President and Vice President: Complete Schedules A (except for BLOCK D), C, and D. (Candidates do not file Part II of Schedule D.

- **Schedule A**—The reporting period for income (BLOCK C) is the preceding calendar year and the current calendar year up to the date of filing. Value assets in BLOCK B as of any date you choose that is within 31 days of the date of filing.
- **Schedule C, Part I (Liabilities)**—The reporting period is the preceding calendar year and the current calendar year up to any date you choose that is within 31 days of the date of filing.
- **Schedule C, Part II (Agreements and Arrangements)**—Show any agreements or arrangements as of the date of filing.
- **Schedule D**—The reporting period is the preceding two calendar years and the current calendar year up to the date of filing.

Reporting Individual's Name: William Ross Brown, Jr.

Assets and Income | Page Number 2 | Schedule A

All Filers: In BLOCK A report (a) the identity of each asset held for the production of income at the close of the reporting period which had a fair market value exceeding $1000 and (b) any other asset or source of income which generated over $100 in income during the reporting period. This includes but is not limited to employers, stocks, bonds, tax shelters, bank accounts, real property, mutual funds, pensions, IRA assets, assets of certain trusts, commodities futures, personal businesses and partnership interests. Exclude your personal residence unless you rent it out. See instructions for rules on bank accounts and complex holdings.

All Filers: In BLOCK B report the value of each asset listed in BLOCK A which had a fair market value exceeding $1000 at the close of the reporting period.

All Filers: In BLOCK C report the type and amount of income exceeding $100 received from the assets and other sources of income listed in BLOCK A. You must report the actual amount of any income not of a type specifically noted below. You need not report the actual amount of your spouse's earned income, only the source in BLOCK A. You may not check "qualified trust" unless you have a blind trust which has been specifically approved by the Office of Government Ethics. If you, your spouse or dependent child are the beneficiary of a trust which no one of you created and has no knowledge of the assets, refer to the instructions to see if it qualifies as an "excepted trust." If "none" (or less than $101) is checked under Category of Amount of Income, no other entries need be made in BLOCK C for that item.

Incumbents and Termination Filers only: In BLOCK D, for any real property, stocks, bonds, commodities futures and other securities listed in BLOCK A, did you purchase, sell, or exchange the item during the reporting period for a value that exceeds $1000?

BLOCK A Assets & Income Sources			BLOCK B Valuation of Assets								BLOCK C Income															BLOCK D Transactions Test	
Identify each asset and income source of yours, your spouse(S) and your dependent child (DC). NONE ☐			Category of Value (X)								Type of Income (X)							Category of Amount of Income (X)									If yes, complete Schd. B Part I for those assets including those sold for a loss.	
			None (or less than $1001)	$1,001-$15,000	$15,001-$50,000	$50,001-$100,000	$100,001-$250,000	Over $250,000	Dividends	Rent	Interest	Capital Gains	Excepted Trust	Qualified Trust	Other (Specify Type)	None (or less than $101)	$101-$1,000	$1,001-$2,500	$2,501-$5,000	$5,001-$15,000	$15,001-$50,000	$50,001-$100,000	Over $100,000	Actual Amount Only if "Other" Specified	Date (Mo., Day, Yr.) Only if Honoraria	YES	NO
S or DC	Examples	XYZ Common Doe Jones & Smith, Hometown, USA			X				X									X						--		X	
					X										partnership income									$50,000			
1		Cash Management Acct 56483316																										
2 J		Merrill Lynch, NYC, NY (see attached)			X				X									X									
3 S		IRA, Acct. 56495662 Merrill Lynch, NYC, NY		X							X						X										
		320 acres - sole owner, crops & timber, Lafayette Co., MS						X		X									X								
4		Sale of 8 acres & 3 acres Lafayette County, MS										X															
5		75 acres - ½ owner, pasture Lafayette County, MS				X										X						X					
6		18 3/4 - 1/3 owner Hurrican Rd. Lafayette Co. MS		X												X											
7 S		Virginia W. Hellyer Truet ½ interest (See Attached)						X	X		X	X										X					
8 S		Bell Atlantic Corp. Common Stock			X				X								X										
9 J		Bell Atlantic Corp. Common Stock	X						X							X											
10 S		Bell South Corp. Common Stock			X				X								X										

Reporting Individual's Name: William Ross Brown, Jr.

Assets and Income — Page Number 3 — Schedule A

All Filers: In BLOCK A report (a) the identity of each asset held for the production of income at the close of the reporting period which had a fair market value exceeding $1000 and (b) any other asset or source of income which generated over $100 in income during the reporting period. This includes but is not limited to employers, stocks, bonds, tax shelters, bank accounts, real property, mutual funds, pensions, IRA accounts, assets of certain trusts, commodities futures, personal businesses and partnership interests. Exclude your personal residence unless you rent it out. See instructions for rules on bank accounts and complex holdings.

All Filers: In BLOCK B report the value of each asset listed in BLOCK A which had a fair market value exceeding $1000 at the close of the reporting period.

All Filers: In BLOCK C report the type and amount of income exceeding $100 received from the assets and other sources of income listed in BLOCK A. You must report the actual amount of any income not of a type specifically noted below. You need not report the actual amount of your spouse's earned income, only the source in BLOCK A. You may not check "qualified trust" unless you have a blind trust which has been specifically approved by the Office of Government Ethics. If you, your spouse or dependent child are the beneficiary of a trust which no one of you created and has no knowledge of the assets, refer to the instructions to see if it qualifies as an "excepted trust." If "none" (or less than $101) is checked under Category of Amount of Income, no other entries need be made in BLOCK C for that item.

Incumbents and Termination Filers only: In BLOCK D, for any real property, stocks, bonds, commodities futures and other securities listed in BLOCK A, did you purchase, sell, or exchange the item during the reporting period for a value that exceeds $1000?

BLOCK A Assets & Income Sources		BLOCK B Valuation of Assets								BLOCK C Income																BLOCK D Transactions Test	
Identify each asset and income source of yours, your spouse(S) and your dependent child (DC). NONE ☐		Category of Value (X)								Type of Income (X)							Category of Amount of Income (X)										If yes, complete Schd. B Part I for those assets exchanging those sold for a loss.	
		Income (or loss) of less than $1001	$1,001-$15,000	$15,001-$50,000	$50,001-$100,000	$100,001-$250,000	$250,001-$500,000	$500,001-$1,000,000	Over $1,000,000	Dividends	Rent	Interest	Capital Gains	Excepted Trust	Qualified Trust	Other (Specify Type)	Income (or loss) of less than $1001	$1,001-$2,500	$2,501-$5,000	$5,001-$15,000	$15,001-$50,000	$50,001-$100,000	$100,001-$1,000,000	Over $1,000,000	Actual Amount Only if "Other" Specified	Date (Mo., Day, Yr.) Only if Honoraria	YES	NO
S or DC	Example: X Y Z Common / Doe Jones & Smith, Hamlesport, USA			X						X									X						--- $50,000		X	
1 J	Bell South Corp. Common Stock	X								X							X											
2 S	U. S. West Common Stock			X						X								X										
3 S	Pacific Telesis Common Stock			X						X								X										
4 J	Pacific Telesis Common Stock	X								X							X											
5 S	NYNEX Common Stock			X						X								X										
6 J	NYNEX Common Stock	X								X							X											
7 S	Southwest Bell Common Stock			X						X								X										
8 J	Southwest Bell Common Stock	X								X							X											
9 S	American Information Technology Common Stock			X						X								X										
10 J	American Information Technology Common Stock	X								X							X											

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U.S. Office of Personal Management

Form Approved
OMB No. 3209-0042

Reporting Individual's Name	Assets and Income	Page Number		Schedule A
William Ross Brown, Jr.			4	

All Filers: In BLOCK A report (a) the identity of each asset held for the production of income at the close of the reporting period which had a fair market value exceeding $1000 and (b) any other asset or source of income which generated over $100 in income during the reporting period. This includes but is not limited to employers, stocks, bonds, tax shelters, bank accounts, real property, mutual funds, pensions, IRA assets, assets of certain trusts, commodities futures, personal businesses and partnership interests. Exclude your personal residence unless you rent it out. See instructions for rules on bank accounts and complex holdings.

All Filers: In BLOCK B report the value of each asset listed in BLOCK A which had a fair market value exceeding $1000 at the close of the reporting period.

All Filers: In BLOCK C report the type and amount of income exceeding $100 received from the assets and other sources of income listed in BLOCK A. You must report the actual amount of any income not of a type specifically noted below. You need not report the actual amount of your spouse's earned income, only the source in BLOCK A. You may not check "qualified trust" unless you have a blind trust which has been specifically approved by the Office of Government Ethics. If you, your spouse or dependent child are the beneficiary of a trust which no one of you created and has no knowledge of the assets, refer to the instructions to see if it qualifies as an "excepted trust." If "none" (or less than $101) is checked under Category of Amount of Income, no other entries need be made in BLOCK C for that item.

Incumbents and Termination Filers only: In BLOCK D, for any real property, stocks, bonds, commodities futures and other securities listed in BLOCK A, did you purchase, sell, or exchange the item during the reporting period for a value that exceeds $1000?

BLOCK A Assets & Income Sources	BLOCK B Valuation of Assets								BLOCK C Income														BLOCK D Transactions Test	
Identify each asset and income source of yours, your spouse(S) and your dependent child (DC). NONE ☐	Category of Value (X)								Type of Income (X)							Category of Amount of Income (X)										If yes, complete Schd. B Part I for those assets including those sold for a loss.	
	Income for last year (if applicable)	$1,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	$500,001 - $1,000,000	Over $1,000,000	Dividends	Rent	Interest	Capital Gains	Excepted Trust	Qualified Trust	Other (Specify Type)	Income for last year (if applicable)	$101 - $1,000	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	Over $100,000	Actual Amount Only if "Other" Specified	Date (Mo., Day, Yr.) Only if Honoraria	YES	NO
Exempt — X Y Z Common				X					X									X							X	
Doe Jones & Smith, Hometown, USA			X												partnership income									$50,000			
A T & T																											
S Common Stock				X					X									X									
A T & T																											
J Common Stock		X							X								X										
First South Production Credit Association, Jackson, MS															Director Fee & Exp.									$8,125			

Form Approved
OMB No. 3209-0042

Reporting Individual's Name

William Ross Brown, Jr.

Page Number	5	Schedule B

Part I
Transactions

Incumbents and Termination Filers only: Report any purchase, sale or exchange by you, your spouse or dependent child during the reporting period of any real property, stocks, bonds, commodities futures, and other securities when the amount of the transaction exceeded $1,000. Include transactions that resulted in a loss. Do not report a transaction involving property used solely as your personal residence, or a transaction between you, your spouse or your dependent child.

NONE ☐

Exempt	Identification of Assets	Type of Transaction (X)				Amount of Transaction (X)					
		Purchase	Sale	Exchange	Date (Mo., Day, Yr.)	$1,001-$5,000	$5,001-$15,000	$15,001-$50,000	$50,001-$100,000	$100,001-$250,000	Over $250,000
	X Y Z Common	X			2/1/83			X			
	N/A										

Part II
Gifts, Reimbursements and Travel Expenses

Incumbents and Termination Filers only:
Report the source, a brief description and the value of: (1) any gifts of transportation, lodging, food or entertainment received from one source totaling $250 or more unless received as personal hospitality at the donor's personal or family residence; (2) other gifts received from one source totaling $100 or more in value, and (3) cash reimbursements of $250 or more received from one source. Exclude gifts and reimbursements received by your spouse that were given totally independent of their relationship to you. Exclude transportation, lodging, food and reimbursements from the U.S. Government. For (1) and (2), exclude gifts from relatives and exclude gifts of $35 or less when aggregating them for the total from one source. See instructions for further exclusions.

NONE ☐

Exempt	Source (Name and Address)	Brief Description	Value
	Nat'l Assn of Rock Collectors, NY, NY	Airline ticket, hotel room & meals incident to national conference 8/15/83	$500
	Nat'l Assn of Rock Collectors, NY, NY	Leather briefcase for retiring president	$126
	N/A		

45

Reporting Individual's Name

William Ross Brown, Jr.

Page Number		Schedule C
	6	

Part I
Liabilities

All Filers: Report liabilities over $10,000 owed to any one creditor at any time during the reporting period by you, your spouse or dependent child. Check the highest amount owed during the reporting period. Exclude a mortgage on your personal residence unless it is rented out, loans secured by automobiles, household furniture or appliances, and liabilities owed to relatives. See instructions for revolving charge accounts.

NONE [X]

		Creditor (Name and Address)	Type of Liability	Date Incurred	Interest Rate	Term if applicable	Category of Amount or Value (X) $10,001 to $15,000	$15,001 to $50,000	$50,001 to $100,000	$100,001 to $250,000	Over $250,000
$ or OC	Examples	First District Bank, Washington, DC	Mortgage on rental property, Rehoboth Beach, Delaware	1981	13%	25 yrs.			X		
		John Jones, 123 J St., Washington, DC	Promissory note	1979	10%	on demand	X				
1		United South Bank, Oxford, MS	Promissory Note	1990	11%		X				
2											
3											
4											
5											
6											

Part II
Agreements Or Arrangements

All Filers: Report your agreements or arrangements for future employment, leaves of absence, continuation of payment by a former employer (including severance payments), or continuing participation in an employee benefit plan. See instructions regarding the reporting of negotiations for any of these arrangements or benefits.

NONE [X]

	Status and Terms of any Agreement or Arrangement	Parties	Date (Mo., Yr.)
Example	Pursuant to partnership agreement, will receive capital account & partnership share calculated on service performed through 11/83	Doe Jones & Smith, Home town, USA	7/75 pinership agmnt.

Reporting Individual's Name

William Ross Brown, Jr.

Page Number 7	Schedule D

Form Approved OMB No. 3209-0007

Part I
Positions Held Outside U.S. Government

Filers: Report any positions held during the applicable reporting period. Positions include but are not limited to those of an officer, director, trustee, general partner, proprietor, representative, employee or consultant of any corporation, firm, partnership, or other business enterprise or any non-profit organization or educational institution. Exclude positions with religious, social, fraternal, or political entities or those solely of an honorary nature.

NONE ☐

Organization (Name and Address)	Type of Organization	Position Held	From (Mo., Yr.)	To (Mo., Yr.)
Examples: Natl Assn of Rock Collectors, NY, NY Doe Jones & Smith, Hometown, USA	Non profit education Law firm	President Partner	6/82 7/78	6/83 11/83
Mississippi Soil & Water Conservation Comission, Jackson, MS	State Agency	Member	7/82	6/90 resigned
Lafayette County Soil & Water Conservation District, Oxford, MS	State Agency	Member	7/57	6/90 resigned
First South Production Credit Association, Jackson, MS	Agricultural Lending Agency	Director	9/68	7/90

Part II
Compensation in Excess Of $5000 Paid by One Source

Nominees and New Entrants only: Report sources of such compensation received by you or your business affiliation for services directly provided by you during the reporting period. This includes the names of clients and customers of any corporation, firm, partnership or other business enterprise, or any nonprofit organization, when you directly provided the services generating a fee or payment of more than $5,000. You need not report the U.S. Government as a source.

NONE ☐

Source (Name and Address)	Brief Description of Duties
Examples: Doe Jones & Smith, Hometown, USA Metro University (client of Doe Jones & Smith) Hometown, USA	Legal services Legal services in connection with university construction
First South Production Credit Association, Jackson, MS	Served as member of Board of Directors

BILLY ROSS BROWN
ROUTE 4, BOX 241-G
OXFORD, MISSISSIPPI 38655

October 10, 1990

Honorable Patrick J. Leahy, Chairman
Committee on Agriculture, Nutrition,
and Forestry
United States Senate
Washington, D. C. 20610

Dear Mr. Chairman:

On May 24, 1990, a copy of my SF 278, Financial Disclosure Report, required in connection with my nomination to serve as Member of the Board of the Farm Credit Administration, was submitted to the Office of Government Ethics. That report contained all required financial information for the calendar year 1989 and for the current calendar year through April 30, 1990.

The Ethics in Government Act of 1978, as amended, also requires that I update certain information reported on the SF 278, i.e., that required by section 202(a) (1) (a) of the Act, respecting income (other than dividends, interest, rents, and capital gains) and honoraria, to a date which occurs five days before the date of the hearing to be held by your committee to consider my nomination. The hearing to be held on my nomination is presently scheduled for Monday, October 15, 1990. The purpose of this letter is to report that there is a change that I feel I must report. On Schedule A, Assets and Income, page 2, item number 5, the 75 acres listed has been sold, and the price I received as half owner was $75,000.00. If additional information is needed regarding this transaction, please let me know.

I trust that this letter satisfied the additional applicable reporting requirements contained in the Ethics in Government Act.

Sincerely,

Billy Ross Brown

Senator CONRAD. Thank you, very much.

Do you have family members with you, here, today?

Mr. BROWN. No, sir, I don't.

Senator CONRAD. What, in your judgment, is the major challenge that will be facing FCA in the next 3 or 4 years? What do you see as the major challenges facing the Farm Credit Administration?

Mr. BROWN. There is a copy of a letter that I think you signed that mentions some of the things that are going to be a major factor and I agree with all three of them.

Of course, the first one is the Farm Credit Insurance Corporation that needs to be up and running. The lending limitation on the Farm Credit System lending institutions is one that is going to have to be decided. Regulations providing for the termination of Farm Credit System institutions is another important issue.

So all three of those things are going to be right up close to the top of the list.

Senator CONRAD. Let me ask you this. As you know, we are just going through this 5-year budget accord between Congress and the administration. Agriculture is slated for a $13 billion cut which we talked about earlier as being a disproportionate share of the budget—a much bigger percentage cut than any other part of Federal spending.

We already faced a long-term outlook from the Congressional Budget Office that showed farm income going down over the next 5 years. CBO predicts a 21 percent reduction in net farm income before the proposed cuts in the agriculture budget are in place.

There is certainly the prospect that we will face sharply declining farm income. In fact, some estimates say now with these cuts factored in we could face a 30 percent reduction in net farm income over the next 5 years. Very respected analysts are saying that is the case.

What kinds of pressures would that put on the Farm Credit Administration in your judgment?

Mr. BROWN. I don't think there is any question it will have an effect because farm income is the only thing that pays back farm debt, and if farm income is going to be cut then you will probably have some problems with farm credit.

Senator CONRAD. Some say reductions in farm income won't happen because we are going to get more from the marketplace as a result of a successful GATT round. Others say GATT is unlikely to increase farmers' income in a way that is big enough to offset the losses. Let's just for a moment assume that we do face, at least the possibility, of reductions in farm income.

What steps should the Farm Credit Administration take, in your judgment, to prepare for that?

Mr. BROWN. I think from a regulator's standpoint safety and soundness of the System is the foremost in our minds. Through the proper examinations of the different banks and the associations, through enforcement actions, if that is necessary, that we have to ensure that that safety and soundness is reserved for the farmers in the future.

Senator CONRAD. Let me ask you this question. Are you familiar with the cost structure in the Farm Credit Service and how it relates to the competition—whether Farm Credit Service's cost struc-

ture is higher or lower than the competition? Are you familiar with that?

Mr. BROWN. Vaguely.

Senator CONRAD. We have been told that FCS costs are still too high. That is to say, the expenses within the System are too high. As a result they are especially vulnerable to any kind of downturn. What would you see as your role in the Farm Credit Administration—assuming for the moment that the facts that I have alluded to are correct—what would you see as the role of FCA in encouraging FCS to get their costs under control?

Mr. BROWN. If confirmed, and I serve as a member of the Board, I will do everything within my power to see that cost is reduced to the farmer. I think the delivery of money to the farmer right now is too expensive and I will do everything I can to get it down there cheaper to him.

Senator CONRAD. All right, thank you, very much.

Thad, any other questions?

Senator COCHRAN. I have no further questions.

Senator CONRAD. Mr. Datt, do you have a statement that you would like to present?

TESTIMONY OF JOHN C. DATT, OF VIRGINIA, NOMINATED TO BE A MEMBER OF THE FARM CREDIT ADMINISTRATION BOARD, FARM CREDIT ADMINISTRATION, FOR THE TERM EXPIRING MAY 21, 1996

Mr. DATT. Yes, sir, I do.

My name is John C. Datt, and I reside at 1112 Trotting Horse Lane, Great Falls, Virginia. As you know, from having worked with you and Senator Cochran, I currently serve as the Executive Director of the Washington Office of the American Farm Bureau Federation.

On July 23, 1990, I was very pleased when the President of the United States, George Bush, nominated me to be a member of the Farm Credit Administration Board. I truly appreciate this high honor and the confidence that the President of the United States has expressed in me.

It is in the capacity as a nominee for the Board of the Farm Credit Administration that I appear before the committee today.

If confirmed by the Senate, I will bring to the Board a background of many years of involvement in the major public policy issues that have faced this country. While I have been involved in the major agricultural policy issues over the years, my experience has also included many other policy issues.

My Farm Bureau career has included a wide range of experiences. I have been involved in the management, administration, lobbying and other organization activities. A great deal of my time has been spent working directly with the farm and ranch people of this country in dealing with the issues they face. Serving the needs of these farmers and ranchers through the Farm Bureau has been my goal. The farmers and ranchers of this country need a healthy Farm Credit System and, if confirmed, I will take actions to ensure that the System remains healthy.

Since the late 1950's I have handled all the major farm credit issues for the Farm Bureau. In recent years, the Farm Bureau has assisted the Congress in dealing with some of the very difficult farm credit legislation.

If I am confirmed by the Senate, I promise to carry out the responsibilities of the Farm Credit Administration to the best of my ability. I pledge to work with each member of this committee in the carrying out of their legislative responsibilities as it relates to farm credit.

Mr. Chairman, Senator Cochran, other members of the committee, I appreciate your support for my nomination, and I will be happy to answer any questions.

Thank you, very much.

[Material submitted by Mr. Datt follows:]

BIOGRAPHICAL INFORMATION (PUBLIC)

1. Full Name: John Crawford Datt

2. Home Address: 1112 Trotting Horse Lane
Great Falls, VA 22066
Telephone: (703) 759-4209

Office Address: 600 Maryland Avenue, SW, Suite 800
Capital Gallery Building
Washington, DC 20024
Telephone: (202) 484-3606

3. Date and Place of Birth: January 29, 1927
Gibsonia, PA

4. Marital Status: Spouse -- Gwen Patriquin Datt
Bridal Consultant
Bloomingdales
Tyson Corner, VA

5. Education: Muskingum College
New Concord, OH
Attended 9/45 until 5/49
Bachelors Degree in Economics

Pennsylvania State University
University Park, PA
6/49 until 9/50
Masters Degree in Agriculture Economics

6. Employment Record:

10/1/50 until Present ' American Farm Bureau Federation
Washington Office
600 Maryland Avenue, SW, Suite 800
Washington, DC 20024

American Farm Bureau Federation
Headquarters
225 Touhy Avenue
Park Ridge, Il 60068

Title and Job Description

1950-57 Research Economist, Commodity Division

As a research economist, I did economic analysis, prepared commodity reports and other jobs assigned to me.

1957-76 Assistant Legislative Director

As a member of the Farm Bureau's legislative staff, I prepared and presented policy statements to the Congress, worked with members of Congress and staff on a wide range of public policy issues affecting agriculture. I also worked on policy and regulatory matters with the administrative agencies of the federal government.

1976-79 Director of the Washington Office

As the director of Farm Bureau's Washington office, I directed the legislative staff, information staff and other personnel in the office. I also continued my legislative activities.

1979-85 Secretary, Administrator and Officer of the American Farm Bureau Federation and its Affiliated Companies

As secretary and administrator, I directed the staff of the Federation and its affiliated companies in both the headquarters office in Park Ridge, Illinois, and Washington, D.C. This involved directing a staff of 200 people on a day-to-day basis. As an officer of the Federation and affiliated companies, I participated in management and organized the board of directors meetings.

1985 to Present Executive Director, Washington Office

As executive director of the Washington office, I have been responsible for all Farm Bureau activities here. This includes a ten-member legislative staff plus working with the regulatory agencies of the federal government. I have also continued my legislative activities. I also continued to serve as an officer of the Federation and contributed to the management and direction of the organization.

7. Military Service:

I did not serve in the military due to a severe eye injury as a youth.

8. Government Service:

I do not have any government service.

9. Honors and Awards:

June 1990 received Alumni Distinguished Service Award from Muskingum College.

In January 1990, I was named 1990 Alumni Fellow by the Board of Trustees of Pennsylvania State University. I will spend September 19-21, 1990, on the University campus as part of the program.

10. Other Memberships:

Maryland Farm Bureau 1952-79
Virginia Farm Bureau 1979-90
American Economics Association
Washington Food Group
Washington Commodity Club
Brookings Agriculture Roundtable
Silver Spring (MD) Boys Club
Vienna (VA) Youth Club
President Locust Hill Homeowners Association

11. Published Writings:

I have never had any books, articles, reports or other materials published.

12. Health:

I enjoy good health.

FINANCIAL DATA AND CONFLICT OF INTEREST (PUBLIC)

1. Question: Have you severed all connections with your immediate past private sector employers, business firms, associations, and/or organizations?

Answer: Upon confirmation by the Senate to be a member of the Board of the Farm Credit Administration, I will retire from the American Farm Bureau Federation and will sever all connections with the organization.

2. Question: List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, uncompleted contracts and other future benefits which you expect to derive from previous business relationships, professional services, firm memberships, former employers, clients, or customers.

Answer: Upon retirement from the American Farm Bureau Federation, my retirement annuity will be rolled over within sixty days into an individual retirement account that will not conflict with the Farm Credit Administration. Any employee benefits will also be terminated upon my retirement. I do not have any deferred income, stock options or uncompleted contracts.

3. Question: Do you, or does any partnership or closely held corporation in which you have an interest, own or operate a farm or ranch? (If yes, please give a brief description including location, size and type of operation.)

Answer: I do not own or operate a farm or ranch or have any interest in one.

4. Question: Have you, or any partnership or closely held corporation in which you have an interest, ever participated in Federal commodity price support programs? (If yes, provide all details including amounts of direct government payments and loans received or forfeited by crop and farm, etc. during the past five years.)

Answer: I have never participated in Federal commodity price support programs or been in any corporation or partnership that did.

5. Question: Have you, or any partnership or closely held corporation in which you have an interest, ever received a direct or guaranteed loan from or cosigned a note to the Farmers Home Administration? (If yes, give details of any such loan activity during the past five years.)

Answer: I have never received a direct or guaranteed loan or cosigned a note to the Farmers Home Administration or been in any partnership that did.

6. Question: Have you, or any partnership or closely held corporation in which you have an interest, ever received payments for crop losses from the Federal Crop Insurance program? (If yes, give details.)

Answer: I have never received any payment for crop losses from the Federal Crop Insurance program or been in a partnership that did.

7. Question: If confirmed, do you have any plans, commitments, or agreements to pursue outside employment or engage in any business or vocation, with or without compensation, during your service with the government? (If so, explain.)

Answer: If confirmed, my sole source of compensation will be from the Farm Credit Administration. I do not plan to engage in any outside business or vocation for compensation.

8. Question: Do you have any plans to resume employment, affiliation, or practice with your previous employers, business firms, associations, or organizations after completing government service? (If so, give details.)

Answer: I do not plan to resume employment with the American Farm Bureau Federation after completing government service.

9. Question: Has anyone made a commitment to employ you or retain your services in any capacity after you leave government service? (If so, please specify.)

Answer: I have no commitment from anyone to employ or retain my services after leaving government service.

10. Question: Identify all investments, obligations, liabilities, or other relationships which involve potential conflicts of interest in the position to which you have been nominated.

Answer: I do not have any investments, obligations, liabilities or other relationships with the American Farm Bureau Federation or any other person or firm that would involve any potential conflict of interest with my being a member of the Board of the

Farm Credit Administration.

11. Question: Have you ever received a government guaranteed student loan? If so, has it been repaid?

Answer: I have never received a government guaranteed student loan.

12. Question: If confirmed, explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items.

Answer: As indicated previously, I do not believe I have any potential conflict of interest. However, if one did arise, I would not participate in any way with the issue involved.

United States
Office of Government Ethics
Suite 500, 1201 New York Avenue, N.W.
Washington, D.C. 20005-3917

August 27, 1990

The Honorable Patrick J Leahy
Chairman
Committee on Agriculture, Nutrition and
Forestry
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Mr. John C. Datt, who has been nominated by President Bush to a member of the Farm Credit Administration Board.

We have reviewed the report and have also obtained advice from the Farm Credit Administration concerning any possible conflict in light of its functions and the nominee's proposed duties. We have been advised that Mr. Datt has agreed that, upon being confirmed, he will resign from his position with the American Farm Bureau Federation.

Based thereon, we believe that Mr. Datt is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

Stephen D. Potts
Director

Enclosures

For Chapter 131
U.S. Office of Personnel Management

Financial Disclosure Report

OMB No. 3209-0001

Reporting Status (Check Appropriate Box)		Agency Use Only	OGE Use Only	Date of Appointment, Candidacy, Election or Nomination (Mo., Day, Yr.)	Termination Date (If Applicable) (Month, Day, Year)
☐ Incumbent	☒ New Entrant, Nominee, or Candidate ☐ Termination Filer		JUL 30 1990	7/23/90.	

Reporting Individual's Name	Last Name: DATT	First Name and Middle Initial: John C.
Position for Which Filing	Title of Position: Member Farm Credit Administration Board	Department or Agency (If Applicable): Farm Credit Administration
Location of Present Office	Address (Number, Street, City, State and ZIP Code): American Farm Bureau Federation 600 Maryland Ave. SW Washington D.C. 20024	Telephone No. (Include Area Code): 202-484-3600
Position(s) Held With the Federal Government During the Preceding 12 Months (If Not Same as Above)	Title of Position(s) and Date(s) Held: NONE	
Presidential Nominees Subject to Senate Confirmation	Name of Congressional Committee Considering Nomination: Senate Committee on Agriculture and Forestry	Do You Intend to Create a Qualified Diversified Trust? ☐ Yes ☒ No

Certification	Signature of Reporting Individual	Date (Month, Day, Year)
I CERTIFY that the statements I have made on this form and all attached schedules are true, complete and correct to the best of my knowledge and belief.	John C Datt.	June 1, 1990
Other Review (If desired by agency)	Signature of Other Reviewer	Date (Month, Day, Year)
Agency Ethics Official's Opinion	Signature of Designated Agency Ethics Official/Reviewing Official	Date (Month, Day, Year)
The information contained in this report discloses no conflict of interest under applicable laws and regulations	[illegible]	7-27-90
8/24/90 SP **Office of Government Ethics Use Only** 8-27-90	Signature	Date (Month, Day, Year)
	[illegible]	8-27-90

Reporting Periods

Incumbents: Complete Schedules A, B, C, and Part I of D. The reporting period is the preceding calendar year except for Part II of Schedule C and Part I of Schedule D where you must also include any positions held or agreements or arrangements made from the beginning of the filing year until the date you file.

Termination Filers: Complete Schedules A, B, C, and Part I of D. The reporting period begins at the end of the period covered by your previous filing and ends at the date of termination.

Nominees, New Entrants and Candidates for President and Vice President: Complete Schedules A, C, and D. (Candidates do not file Part II of Schedule D.)

- **Schedule A**—The reporting period for income (BLOCK C) and Transactions Test (BLOCK D) is the preceding calendar year and the current calendar year up to the date of filing. Value assets in BLOCK B as of any date you choose that is within 31 days of the date of filing.
- **Schedule C, Part I** (Liabilities)—The reporting period is the preceding calendar year and the current calendar year up to any date you choose that is within 31 days of the date of filing.
- **Schedule C, Part II** (Agreements and Arrangements)—Show any agreements or arrangements as of the date of filing.
- **Schedule D**—The reporting period is the preceding two calendar years and the current calendar year up to the date of filing.

Comments of Reviewing Officials (If additional space is required, use the reverse side of this sheet)

Per discussion w/Mr. Steve Offutt—OGE at FCA, on 8-22-90 [illegible] 8-24-90 I've graphized changes on Schedules A + C, Part II, next to which I have placed my initials.
S.P. (OGE)

(Check box if comments are continued on the reverse side) ☐

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FCA-128

NSN 7540-01-070-5444

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Form Approved
OMB No. 3209-0001

Reporting Individual's Name	Assets and Income	Page Number	Schedule
John C. Datt		1	A

All Filers: In BLOCK A report (a) the identity of each asset held for the production of income at the close of the reporting period which had a fair market value exceeding $1000 and (b) any other asset or source of income which generated over $100 in income during the reporting period. This includes but is not limited to employers, stocks, bonds, tax shelters, bank accounts, real property, mutual funds, pensions, IRA assets, assets of certain trusts, commodities futures, personal businesses and partnership interests. Exclude your personal residence unless you rent it out. See instructions for rules on bank accounts and complex holdings.

All Filers: In BLOCK B report the value of each asset listed in BLOCK A which had a fair market value exceeding $1000 at the close of the reporting period.

All Filers: In BLOCK C report the type and amount of income exceeding $100 or more received from the assets and other sources of income listed in BLOCK A. You must report the actual amount of any income not of a type specifically noted below. You need not report the actual amount of your spouse's earned income, only the source in BLOCK A. You may not check "qualified trust" unless you have a blind trust which has been specifically approved by the Office of Government Ethics. If you, your spouse or dependent child are the beneficiary of a trust which no one of you created and has no knowledge of the assets, refer to the instructions to see if it qualifies as an "excepted trust." If "none" (or less than $101) is checked under Category of Amount of Income, no other entries need be made in BLOCK C for that item.

Incumbents and Termination Filers only: In BLOCK D, for any real property, stocks, bonds, commodities futures and other securities listed in BLOCK A, did you purchase, sell, or exchange the item during the reporting period for a value that exceeds $1000?

BLOCK A Assets & Income Sources		BLOCK B Valuation of Assets								BLOCK C Income														BLOCK D Transactions Test	
Identify each asset and income source of yours, your spouse(S) and your dependent child (DC). NONE ☐		Category of Value (X)								Type of Income (X)						Other (Specify Type)	Category of Amount of Income (X)							Actual Amount Only if "Other" Specified	Date (Mo., Day, Yr.) Only if Honoraria	If yes, complete Sched. B Part I for these assets including those sold for a loss	
		Items (or less than $1001)	$1,001-$15,000	$15,001-$50,000	$50,001-$100,000	$100,001-$250,000	$250,001-$500,000	$500,001-$1,000,000	Over $1,000,000	Dividends	Rent	Interest	Capital Gains	Excepted Trust	Qualified Trust		Items (or less than $201)	$201-$1,000	$1,001-$2,500	$2,501-$5,000	$5,001-$15,000	$15,001-$50,000	$50,001-$100,000	Over $100,000			YES	NO
S or DC	Examples																										
		X Y Z Common — Doe Jones & Smith, Hometown, USA			X					X									X						$50,000		X	
																ownership income											
Y	1	American Farm Bureau Federation 225 Touhy Ave Park Ridge Illinois	Goods													SALARY	—	19	89	Through	5	31	90	$146,777			
S	2	Bloomingdales INC PO Box 8060 NY, NY 10022														SALARY	—	19	89	Through	5	31	90	$10,306			
DC	3	NAVY Federal Credit Union PO Box 3000 MERRIFIELD VA 22119														SALARY	—	19	89	Through	5	31	90	8,014			
Y	4	Employee Retirement Plan American Farm Bureau Federation *							X								X	SP									
Y	5	Voluntary Contribution Plan American Farm Bureau Federation Life Ins. Co. *						X				X					X										
SP Y	6	Individual Retirement Savings Account, Money Market										X								X							
EP S	7	Individual Retirement Savings Account, Money Market			X							X								X							
Y	8	Certificate of Deposit				X						X								X							
S	9	First Virginia Bank, Falls Church, VA										X								X							
Y	10	Certificate of Deposit			X							X								X							
S	11	1st American Bank, McLean, VA			X							X								X							
S	12	Certificate of Deposit Continental Savings Bank	money market VA		X							X								X							

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* Widely diversified growth pension plans independently managed by the CNA Group, Chicago, IL

5 CFR Chapter XIV
U.S. Office of Personnel Management

Form Approved
OMB No. 3209-0-02

Reporting Individual's Name
John C. DATT

Page Number	1	Schedule B

Part I
Transactions

Incumbents and Termination Filers only: Report any purchase, sale or exchange by you, your spouse or dependent child during the reporting period of any real property, stocks, bonds, commodities futures, and other securities when the amount of the transaction exceeded $1,000. Include transactions that resulted in a loss. Do not report a transaction involving property used solely as your personal residence, or a transaction between you, your spouse or your dependent child.

NONE ☐

S or DC	Exempt	Identification of Assets	Type of Transaction (X) Purchase	Sale	Exchange	Date (Mo., Day, Yr.)	Amount of Transaction (X) $1,001 $15,000	$15,001 $50,000	$50,001 $100,000	$100,001 $250,000	Over $250,000
		X Y Z Common	X			2/1/83		X			
1		Nominee - Not Applicable									
2											
3											
4											
5											
6											

Part II
Gifts, Reimbursements and Travel Expenses

Incumbents and Termination Filers only:
Report the source, a brief description and the value of: (1) in-kind gifts of transportation, lodging, food or entertainment received from one source totaling $250 or more unless received as personal hospitality at the donor's personal or family residence; (2) other gifts received from one source totaling $100 or more in value; and (3) cash reimbursements of $250 or more received from one source. Exclude gifts and reimbursements received by your spouse that were given totally independent of their relationship to you. Exclude transportation, lodging, food and reimbursements from the U.S. Government. For (1) and (2), exclude gifts from relatives and exclude gifts of $35 or less when aggregating them for the total from one source. See instructions for further exclusions.

NONE ☐

S	Exempt	Source (Name and Address)	Brief Description	Value
		Nat'l Assn. of Rock Collectors, NY, NY	Airline ticket, hotel room & meals incident to national conference 8/15/80	$500
		Nat'l Assn. of Rock Collectors, NY, NY	Leather briefcase for retiring president	$125
1		Nominee - Not Applicable		
2				
3				
4				
5				
6				

PREVIOUS EDITION USABLE

FPS-39

Form Chapter 73
U.S. Office of Personnel Management

Form Approved
OMB No. 3206-0160

Reporting Individual's Name
JOHN C. DATT

Page Number	1	Schedule C

Part I
Liabilities

All Filers: Report liabilities over $10,000 owed to any one creditor at any time during the reporting period by you, your spouse or dependent child. Check the highest amount owed during the reporting period. Exclude a mortgage on your personal residence unless it is rented out; loans secured by automobiles, household furniture or appliances, and liabilities owed to relatives. See instructions for revolving charge accounts.

NONE ☐

S or DC	Exam ples	Creditor (Name and Address)	Type of Liability	Date Incurred	Interest Rate	Term if applicable	Category of Amount or Value (X) $10,001 to $15,000	$15,001 to $50,000	$50,001 to $100,000	$100,001 to $250,000	Over $250,000
		First District Bank, Washington, DC	Mortgage on rental property, Rehoboth Beach, Delaware	1981	13%	25 yrs			X		
		John Jones 123 J St., Washington, DC	Promissory note	1979	10%	on demand	X				
1		CONTINENTAL Federal Savings Bank Chantilly VA, 22021	MORTGAGE ON PRIVATE Home 1112 Trotting Horse Lane Great Falls VA	1979	10.375	30 YRS.			X		
2		GoHome Realty Credit Corporation Po Box 5050, Buffalo, NY 14266	MORTGAGE ON PRIVATE Home of Amy DATT Morgan 1552 Village TERRACE	1987	9.00	30 YRS			X		
3		MORYLAND National BANK Baltimore Md. 21274	Home Equity Loan ON 1112 Trotting Horse Lane Great Falls VA	1987	11.5	ON DEMAND			X		
4		AMERICAN Security BANK Washington, D.C. 20040	PREMIER LINE ACCOUNT	1989	2.2	ON DEMAND	X				
5											
6											

Part II
Agreements Or Arrangements

All Filers: Report your agreements or arrangements for future employment, leaves of absence, continuation of payment by a former employer (including severance payments), or continuing participation in an employee benefit plan. See instructions regarding the reporting of negotiations for any of these arrangements or benefits.

NONE ☐

Status and Terms of any Agreement or Arrangement	Parties	Date (Mo., Yr.)
Example: Pursuant to partnership agreement, will receive capital account & partnership share calculated on service performed through 11/83	Doe Jones & Smith, Home town, USA	7/75 partnership agmnt
UPON RETIREMENT FROM The AMERICAN FARM BUREAU Federation,		
My RETIREMENT ANNUITY will be Rolled over within Sixty days		
INTO AN INDIVIDUAL RETIREMENT ACCOUNT that will not conflict		
With the Farm Credit Administration. I shall continue		
My funds in the VOLUNTARY CONTRIBUTION ~~Account~~ Plan of the AMERICAN FARM BUREAU ~~Federation~~ Employees Plan.		

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FPO 169

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Reporting Individual's Name

John C. DATT

Page Number 1 Schedule D

Part I
Positions Held Outside U.S. Government

All Filers: Report any positions held during the applicable reporting period. Positions include but are not limited to those of an officer, director, trustee, general partner, proprietor, representative, employee or consultant of any corporation, firm, partnership, or other business enterprise or any non-profit organization or educational institution.

Exclude positions with religious, social, fraternal, or political entities or those solely of an honorary nature.

NONE ☐

Organization (Name and Address)	Type of Organization	Position Held	From (Mo., Yr.)	To (Mo., Yr.)
Examples: Nat'l Assn. of Rock Collectors, NY, NY	Non profit education	President	6/82	6/83
Doe Jones & Smith, Hometown, USA	Law firm	Partner	7/75	11/83
AMERICAN FARM BUREAU FEDERATION 225 Touhy Avenue Park Ridge, Illinois, 60068	NON-PROFIT GENERAL FARM ORGANIZATION	OFFICER SINCE 1979 AND EXECUTIVE DIRECTOR, WASHINGTON OFFICE	10/50	Present

Part II
Compensation in Excess Of $5000 Paid by One Source

Nominees and New Entrants only: Report sources of such compensation received by you or your business affiliation for services directly provided by you during the reporting period. This includes the names of clients and customers of any corporation, firm, partnership or other business enterprise, or any nonprofit organization, when you directly provided the services generating a fee or payment of more than $5,000. You need not report the U.S. Government as a source.

NONE ☐

Source (Name and Address)	Brief Description of Duties
Examples: Doe Jones & Smith, Hometown, USA	Legal services
Metro University (client of Doe Jones & Smith) Hometown, USA	Legal services in connection with university construction
AMERICAN FARM BUREAU FEDERATION 225 Touhy Avenue Park Ridge, Illinois, 60068	Officer and Executive Director of Federation's Washington Office

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600 MARYLAND AVENUE S.W. • SUITE 800 • WASHINGTON, D.C. • 20024 • (202) 484-3600

October 11, 1990

The Honorable Patrick J. Leahy
Chairman
Committee on Agriculture, Nutrition,
and Forestry
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

On June 1, 1990, a copy of my SF 278, Financial Disclosure Report, required in connection with my nomination to serve as a member of the Farm Credit Administration Board, was submitted to the Office of Government Ethics. That report contained all required financial information for calendar year 1989 and for the current calendar year through June 1, 1990.

The Ethics in Government Act of 1978, as amended, also requires that I update certain of the information reported on the SF 278, i.e., that required by section 202(a)(1)(A) of the Act, respecting income (other than dividends, interest, rents, and capital gains) and honoraria, to a date which occurs five days before the date of the hearing to be held by your Committee to consider my nomination. The hearing to be held on my nomination is presently scheduled for Monday, October 15, 1990. The purpose of this letter is to report that, as of October 10, 1990, I have received income in addition to those categories and amounts of income shown on my Financial Disclosure Report as dated and filed on June 1, 1990. My total salary income from the American Farm Bureau Federation for the period 1989 through October 10, 1990, is $184,514.00.

I trust that this letter satisfies the additional applicable reporting requirements contained in the Ethics in Government Act.

Sincerely,

John Datt

John C. Datt
Executive Director
Washington Office

JCD/lh

Senator CONRAD. Thank you.

Perhaps I can just start with this question. Mr. Datt, your committee questionnaire responses show that your career has been spent in the service of the American Farm Bureau which is one of the most important and, I believe, beneficial organizations for American farmers.

However, you do not appear to have held any positions in banking, finance, or credit. There is no background or experience on your part, either as a Farm Credit borrower, as a lender, or as a regulator.

Without this type of background or experience, why would it be responsible to trust you to oversee a $50 billion farm credit apparatus position which requires sophisticated financial and banking judgments where taxpayer dollars are at risk?

Mr. DATT. Well, Mr. Chairman, I do bring to the committee over 30 years of management and administration background within the Farm Bureau. Since 1979, I have served as an officer of the Federation, and therefore, have been actively involved in the management of it, and that includes the financial aspects of the organization.

From 1979 to 1985 I served as the secretary and the chief administrative officer of the organization and its affiliated companies. One of its affiliated companies, the American Agriculture Insurance Company, is probably the sixth or seventh largest reinsurance company in this country. They do the reinsurance work for the State Farm Bureau member insurance companies.

In that capacity I had the opportunity and responsibility on a day-to-day basis to be involved with the management of that reinsurance company which involved substantial financial questions and some financial issues. So I have had, in my role in the Farm Bureau, in my judgment substantial background to warrant confidence in my ability to be a member of the Farm Credit Administration Board.

Senator CONRAD. What was your role in the management of those entities in terms of the financial questions surrounding them?

Mr. DATT. Well, as the Secretary and the administrative officer, we had on a day-to-day basis issues having to do with, for instance, the investment question of how the investment was handled by the reinsurance company; the question of simply how the funds that were generated by the reinsurance company were managed and handled. We were the reinsurance company, which meant that we picked up the second layer of coverage.

So we had a series of financial and management decisions that I was involved with on a day-to-day basis.

Senator CONRAD. All right.

Let me ask you this: The annual policy statement of the American Farm Bureau for 1990 says that preservation of the Farm Credit System is in the long-term best interests of U.S. agriculture, and it cites several principles for its operation.

One of these principles calls for "a prompt infusion of Federal Government capital as needed." On one level this principle seems to contradict the role of the Farm Credit Administration which is, as a regulator, to prevent the need for prompt infusions of Federal

dollars or bailouts, as some call them, of Farm Credit institutions by keeping those institutions prudent and financially sound.

What is your personal view? Under what circumstances should the Federal Government be expected to use taxpayer dollars to prop up financially troubled Farm Credit institutions?

Mr. DATT. Mr. Chairman, I think the agricultural legislation of 1985, 1986 and 1987 that we have passed here in recent years, in my judgment, spell out the proper authority and proper basis for financial assistance by the Federal Government.

I would support carrying out the current law as it relates to that area.

Senator CONRAD. All right. I appreciate that answer and I think you are exactly right. I think those authorities, especially the 1987 act, make very clear under what circumstances the Federal Government would be involved.

Mr. DATT. I was involved a little bit with the passage of that particular legislation so that I have a pretty good feel as to what was the intention of you, as the chairman, and Mr. Cochran and others when they passed this legislation.

Senator CONRAD. As you know, Mr. Datt, your name was mentioned in an August newspaper article regarding your involvement in what has been characterized as a politically motivated effort to embarrass the Texas Agricultural Commissioner, Jim Hightower, by trying to initiate an Agriculture Department investigation.

I understand that you are aware of the news report and for the record, would introduce a letter from Mr. Vernie Glasson, the executive director of the Texas Farm Bureau and then a subsequent letter that you wrote to Ms. Jo Ann Smith, the Assistant Secretary for Marketing and Inspection Services at USDA.

[The letters referred to by Senator Conrad follow:]

TEXAS Farm BUREAU

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S. M. TRUE, JR.
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DON SMITH
Vice President

GERALD M. CLARK
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STATE OFFICE: P. O. Box 2689 • Waco, Texas 76702-2689 • 817-772-3030

February 7, 1990

Mr. John C. Datt, Director
American Farm Bureau Federation
Washington, D.C. Office
600 Maryland Avenue, S.W. - Suite 800
Washington, D.C. 20024

Dear John:

In follow-up to our discussion at Kick-Off, what we need is some kind of full-scale (or otherwise) investigation into State/Federal relationships between USDA and the Texas Department of Agriculture.

I understand there might be some type of investigation underway. What would help is a February 15 or so (prior to March 13) announcement, or leak, to Texas press (particularly, the Dallas Morning News). We are confident there are many skeletons in the closet, and they need to be rattled.

We can be successful -- but, a little smart politics on the part of a Yuetter-directed USDA sure will help.

I will appreciate any help you can provide.

Sincerely,

Vernie R. Glasson
Executive Director

VRG:mb

P.S. Regarding the State Auditor -- he did not give a clean bill -- but, "white-washed" the issue saying USDA's guidelines are not clear enough on expenditure of funds in question.

RECEIVED NOV 2 9 1989

United States Department of Agriculture
Office of Inspector General
Washington, D.C. 20250

Copy Vernie Glaze
Joe Maley

NOV 2 2 1989

Mr. S. M. True, Jr.
President
Texas Farm Bureau
Waco, Texas 76702

Dear Mr. True:

I am in receipt of your October 31, 1989, correspondence to Secretary Yeutter concerning the alleged misuse of Texas-Federal Inspection Service (TFIS) funds by the Texas Commissioner of Agriculture and other officials. Late last year we were notified by officials of the Agricultural Marketing Service (AMS), the USDA agency responsible for administration of the Agricultural Marketing Act of 1946, of allegations regarding the possible misuse of TFIS funds. TFIS carries out a commodity inspection and grading program in Texas under a cooperative agreement with AMS. User fees assessed by TFIS support the program.

Following discussion with this office, AMS officials submitted information regarding the allegations to the Texas State Auditor for his review and inquiry as appropriate.

We understand that the Texas State Auditor is in the process of finalizing his report which documents the findings of his review. Upon receipt of his report we will review it thoroughly in order to determine if there are issues raised which need to be addressed by this office.

We appreciate your concern with the integrity of this program.

Sincerely,

LEON SNEAD
Deputy Inspector General

TO: Vernie Glasson
FROM: Glen Jones
SUBJECT: Texas-Federal Inspection Service
DATE: November 20, 1989

The Texas-Federal Inspection Service was created in the present form in 1959 by a cooperative agreement between the Texas Department of Agriculture and USDA at the request of Texas growers and shippers who wished to participate in various commodity marketing orders and uniform inspection procedures. The agreement can be disolved on 30 days notice by the USDA, TDA or by actions of the producer-shipper participants.

Funding of the service is provided by shipper-handlers-producers. The shippers-handlers pay the cost for inspection directly to TFIS by paying a user fee. Producers indirectly pay the cost of inspection because the handler-shippers add the cost of inspection indirectly (example, paying less for the produce, or a tonnage fee) to the producers cost of selling. No federal or state funds are provided, funds come from users.

Comptroller of Texas-Federal Inspection Service, Bryan Dome, 512/385-5385 will not at this time comment on amount of money collected through the program.

The cooperative agreement provides that there be a federal supervisor who is responsible for making sure inspectors hired by the state are grading and inspecting according to federal standards. The Federal Supervisor is Jimmy Williams 512/787-4091. He oversees training and licensing of the inspectors. The state supervisor Pete McRae is appointed by the Texas Commissioner of Agriculture. Mr. McRae is administrator director TFIS.

Most persons using the service are selling interstate. There is little use of the service by persons selling within Texas. Service is voluntary and provided upon request. The Service, in Texas, is provided for sellers of fresh fruits, vegetables, Christmas trees, pecans and peanuts.

GGJ:blm
CC: Joe Maley

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February 23, 1990

Ms. Jo Ann D. Smith
Assistant Secretary for Marketing and
Inspection Services
U.S. Department of Agriculture
Room 228-W
14th Street and Independence Avenue, SW
Washington, DC 20250

Dear Jo Ann:

As you are well aware, the Texas Farm Bureau is involved in a continuing discussion and sometimes feud with the Texas Commissioner of Agriculture. I am attaching a recent letter I received from Vernie Glasson, who is the executive director of the Texas Farm Bureau. Since the matter he talks about involves the Agricultural Marketing Service and the USDA Inspection Services, I am calling this letter to your attention. The Texas Farm Bureau needs to have this matter fully investigated to determine what has been going on in the Texas Department of Agriculture as it relates to the federal/state commodity inspection and grading program.

I will appreciate any help you can provide the Farm Bureau. I will be happy to discuss this matter with you.

With best personal regards,

John C. Datt
Executive Director
Washington Office

JCD/lh
Attachment

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

April 10, 1990

Mr. John C. Datt
Executive Director
Washington Office
American Farm Bureau Federation
600 Maryland Avenue, SW, Suite 800
Washington, DC 20024

Dear Mr. Datt:

This is in response to your letter of February 23, 1990, in which you conveyed the Texas Farm Bureau's request for a Federal investigation of the Federal/State commodity inspection and grading program in Texas. As you may know, last year the U.S. Department of Agriculture (USDA) asked the Texas State Auditor to look into several management issues in that program.

The actions we took last year were, as we stated to the Texas State Auditor, motivated by our commitment "...to keep expenses as low as possible in the best interest of the Texas fruit and vegetable producers and handlers who must pay the cost of inspection." This remains our only reason for the actions we have taken; politics or a desire to embarrass TDA have not been factors in our decisions.

The problems which we have pointed out have not affected the quality of the crop inspection services being provided to producers and handlers in Texas; rather, they center around financial and administrative issues.

Over a year ago, reports were brought to our attention of questionable financial and administrative practices within the Federal/State crop inspection program in Texas. We determined that since no Federal funds were involved, our concerns should be turned over to the Texas State Auditor's office for whatever action they considered proper.

The Texas State Auditor's report on the issues we raised, which was issued in November 1989, concluded that the management controls over the program need to be improved, and that, although there were no demonstrable misuses of funds, there had been expenditures of crop inspection funds for purposes which would not have been allowable had the funds been subject to the State's fiscal controls. Similarly, USDA concluded that some of the expenditures would not have been allowable if the funds had been subject to Federal guidelines.

We have concluded that further investigation is not warranted unless other issues arise, and that our attention should focus on improving management controls within the crop inspection program in Texas to prevent future problems. The following additional details should further clarify USDA's actions.

USDA's concerns about TDA's use of crop inspection funds are limited, in this instance, to a jointly-administered Federal/State program for shipping point inspection of fresh fruits, vegetables, and specialty crops. This program is carried out by the Texas-Federal Inspection Service (TFIS), which operates under a Cooperative Agreement between USDA and TDA. The terms of the Cooperative Agreement provide for funding this program through user fees paid by the handlers from the various commodity groups who request the inspection services. The user fees are to be used only for carrying out inspection work or for reimbursing TDA and USDA for their expenses incurred in providing oversight to the program. The specific issues of concern to USDA involved the methods by which TDA drew its "program oversight" funds from TFIS, and several TFIS expenditures and management decisions which were authorized by TDA without the required endorsement of USDA. The issues we raised included:

Credit cards used by TDA officials for expenses which were billed directly to TFIS.

The Auditor concluded that: "There were no policies which defined or placed restrictions upon allowable charges to the program, nor were [TDA] officials required to furnish documentation which clearly demonstrated that charges were applicable to the inspection program or the general administrative duties of [TDA]. The lack of control over these expenses creates a higher degree of risk that the resources of [TFIS] could be subject to misapplication."

Method of paying "overhead" from TFIS to TDA.

TDA officials have drawn funds directly from TFIS to pay for travel expenses, meals, lodgings, vehicles, and related expenses. These expenditures did not flow through the State Treasury, and, in the Auditor's words, were "not subject to the same level of control" that Texas exercises over other funds; "...some of these expenditures would not have been allowable uses of general revenue funds."

Contract for personal services.

USDA questioned a $10,000 consulting contract which was entered into by TFIS without the required USDA approval. We continue to believe this contract was a waste of TFIS funds. The Auditor did not evaluate this issue.

The Auditor made several recommendations and reached other conclusions, some we agree with and some we do not accept. We do believe, however, that we need to tighten up the USDA/TDA Cooperative Agreement to:

-- clarify the method of reimbursing TDA for administrative costs, including discontinuation of the practice of TDA officials charging expenses directly to TFIS;

-- define allowable charges to the program; and

-- provide a more effective method of oversight over expenditures of TFIS funds.

I will be pleased to discuss this subject with you if you need more information.

Sincerely,

Jo Ann R. Smith
Assistant Secretary
Marketing and Inspection Services

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600 MARYLAND AVENUE S.W. • SUITE 800 • WASHINGTON, D.C. • 20024 • (202) 484-3600

April 17, 1990

Ms. Jo Ann R. Smith
Assistant Secretary
Marketing and Inspection Services
U.S. Department of Agriculture
12th and 14th Streets, SW
Washington, DC 20250

Dear Assistant Secretary Smith:

Thank you very much for your letter of April 10 and the information it contained on the Texas inspection situation. I appreciate very much receiving this information.

Sincerely,

John C. Datt
Executive Director
Washington Office

JCD/lh
cc: John Keeling

Senator CONRAD. The letter to you reads in part:

In follow-up to our discussion at Kick-Off, what we need is some kind of full-scale (or otherwise) investigation into State/Federal relationships between USDA and the Texas Department of Agriculture.

I understand there might be some type of investigation underway. What would help is a February 15, or so (prior to March 13) announcement, or leak, to Texas press (particularly, the Dallas Morning News). We are confident there are many skeletons in the closet, and they need to be rattled.

We can be successful—but, a little smart politics on the part of a Yeutter-directed USDA sure will help.

I will appreciate any help you can provide.

That was a letter directed to you, February 7, 1990. And then the subsequent letter of February 23, 1990, signed by you, directed to Jo Ann Smith, the Assistant Secretary for Marketing and Inspection Services, USDA, that reads in part:

As you are well aware, the Texas Farm Bureau is involved in a continuing discussion and sometimes feud with the Texas Commissioner of Agriculture. I am attaching a recent letter I received from Vernie Glasson, who is the executive director of the Texas Farm Bureau. Since the matter he talks about involves the Agricultural Marketing Service and the USDA Inspection Services, I am calling this letter to your attention. The Texas Farm Bureau needs to have this matter fully investigated to determine what has been going on in the Texas Department of Agriculture as it relates to the federal/state commodity inspection and grading program.

I will appreciate any help you can provide the Farm Bureau. * * *

Can you explain your role in this affair?

Mr. DATT. Certainly. It has been a matter of public record and I did meet with the investigator of the committee. There is an additional letter that I think should be entered into the record, and that is the reply back from Jo Ann Smith, the Assistant Secretary of Agriculture, to me, dated April 10,[1] because that completes the full cycle of the letter.

In that letter she explains what the Department of Agriculture has done and so on and so forth. So I think that in order to have the complete understanding of what we are dealing with, we ought to have that letter also included.

Senator CONRAD. Very well, that is an April 10 letter from Jo Ann Smith to you?

Mr. DATT. Yes. I will be happy to make it available. It was made available to you but I will be happy to make it available to you.

Senator CONRAD. What is that letter?

Mr. DATT. Well, that letter, the first letter that you read was a letter from Vernie Glasson, of the Texas Farm Bureau. What I simply did in my role as the director of the office here, was to transmit that letter to Jo Ann Smith as you read, seeking to have her provide us with more information.

I suspect in many cases, I was like you, as a Senator from North Dakota, you get letters from constituents and you simply transmit those letters on to various agencies of Government for handling and replying. This is what I view my role was in this matter simply as a transmittal agent from a letter from the Texas Farm Bureau to the Department of Agriculture.

One has to understand that the issue of this whole Federal/State inspection program involving fruit and vegetables goes back some 30 years. It happened to be one of the first projects that I was in-

[1] See pp. 71-73 for the letter of Jo Ann R. Smith to John C. Datt.

volved in. So it has not been without its controversy over the years. That is why Mr. Glasson, I am sure, directed the letter to me because he knew that I had been involved in setting up the program originally in 1958 and had worked with it over the years.

What Mr. Glasson was seeking in his letter was an investigation by the Department of Agriculture of the relationship between the USDA and the Texas Department of Agriculture in terms of the inspection program.

In my letter to Mrs. Smith I indicated that I thought this matter should be fully investigated. In her reply back to me—and that is why this becomes important—she documents in considerable detail what the Department has done; what the Texas Department of Agriculture has done and from my standpoint, satisfactorily settled the issue and it becomes settled at that point.

In terms of her reply, the Department determined that no further investigation was necessary and I did not make any particular inquiry or followup in terms of my letter. It was a matter that I felt the Department was well aware of because of the nature of the individuals involved. So from my standpoint, it was the transmittal of the letter from a constituent, State Farm Bureau, to the Department of Agriculture, for their information and for their handling.

Senator CONRAD. I have transmitted a lot of letters in my time as a Senator, but I have never transmitted one that called for an investigation that appeared to be politically motivated.

Was this politically motivated?

Mr. DATT. I do not believe so. I believe it was motivated on a desire to find out what were the facts as it related to this Federal/State agreement and the funds. One of the things you have to recognize is that there are funds generated by this Federal/State agreement through inspection fees. And the question comes up, how are those funds spent and what happens with them? This is the point-of controversy in the letter.

Senator CONRAD. Your answer is that it was not politically motivated. The letter that you forwarded says, and as I review it here, "I understand there might be some type of investigation underway"—this is the letter to you from Mr. Glasson. "What would help is a February 15 or so * * * announcement, or leak, to Texas press."

I don't know why those dates are important.

Mr. DATT. They happen to be the primary date for the Texas primary.

Senator CONRAD. Well, doesn't that sound pretty political?

Mr. DATT. Certainly from their standpoint. The question is, is it political from my standpoint? From my standpoint, I was simply transmitting a letter that came in. From their standpoint, they may very well have viewed the issue as a political issue. I did not view it that way, as I transmitted the letter.

In fact, if you look at my letter, I tried to indicate that there had been this continuing discussion and sometimes feud between the two parties. I wanted to flag that to the people in the Department so that they would be aware of the problem that they were dealing with.

Senator CONRAD. Well, I must say you recognized that these dates were important because of a primary election, apparently. And——

Mr. DATT. After this whole issue was discussed and so on, that is when I determined and found out that the February and March dates were important, the March date really.

Senator CONRAD. The letter says, further, "a little smart politics on the part of a Yeutter-directed USDA sure will help."

I mean——

Mr. DATT. That's Mr. Glasson's point of view as to what he would like to have done.

Senator CONRAD. Right.

Mr. DATT. But that doesn't necessarily mean that it is my point of view.

Senator CONRAD. But you forwarded that letter and you said [February 23, 1990, letter], "The Texas Farm Bureau needs to have this matter fully investigated. * * * I will appreciate any help you can provide the Farm Bureau."

Weren't you intending that, in fact, an investigation go forward?

Mr. DATT. Not necessarily because I knew that there had been, as Mrs. Smith refers to in her letter, that there had been a State auditor's report. I did not know what type of investigation the Department had already conducted. In her reply back she indicates that they had already conducted an investigation.

The purpose of my letter is to determine what kind of investigation and what had really been done as far as the Department was concerned as it relates to this issue.

I was seeking to find out for the Texas Farm Bureau what the Department had done and what their point of view was as it related to the matter that they raised in their letter.

Senator CONRAD. In your letter you include the copy of his letter to you which appears to me to be quite clearly a politically motivated investigation using the Federal Government.

You forwarded that letter to the person who would be in charge of such an investigation and your letter says, "The Texas Farm Bureau needs to have this matter fully investigated."

That is your language. "I will appreciate any help that you can provide the Farm Bureau." Why would anyone not conclude that what you were seeking was a politically motivated investigation using Federal resources?

Mr. DATT. Well, because my letter simply states that this matter, that the Texas Farm Bureau needs to have this matter fully investigated. That does not mean that we are seeking another total new investigation or that we are seeking some kind of political investigation.

We simply wanted to find out, I wanted to find out and the Texas Farm Bureau wanted to find out, and that is why the letter from Mrs. Smith, which becomes important, because in that letter back to me she outlines in considerable detail what the Department has done and what kind of investigation they have conducted and that they are satisfied with the matter.

Senator CONRAD. I understand that. I see the letter she wrote to you but I am talking about your involvement in what the intent

was of the Texas Farm Bureau and what your role was in furthering that purpose and it appears to me quite clear.

This letter to you is seeking a Federal investigation for political purposes and your letter to Mrs. Smith makes it quite clear, it seems to me, that you are advocating that this letter be pursued and that, in fact, the purposes of the Texas Farm Bureau be pursued.

Mr. DATT. Well, that is why, to me, the letter from Mrs. Smith becomes important, because in her reply back she documents in considerable detail what the Department has done and what they have not done, and it is a fact that, in their judgment, there is not a need for further investigation. So that you have to put all three together.

If the Department had concluded some other conclusion, that would have been a different story.

Senator CONRAD. Well, you are not responsible for their conclusion. You are responsible for what you did. They may have correctly concluded that there was nothing further to be done. The question is what was it that you were seeking to have happen?

I must say to you in reading this correspondence it escapes me how one would not conclude that what you were seeking was to help the Texas Farm Bureau get a politically motivated investigation using Federal authority.

I must say to you that if that is what was going on here I find that totally inappropriate.

Mr. DATT. Well, what I was doing was simply—the Texas Farm Bureau is a constituent, one of the members of the Federation. In my role as the executive director of the Washington office, I was simply transmitting their request that came to me to the Department of Agriculture for inquiry and followup and reply.

Senator CONRAD. You characterize it as simply passing along their letter. What does it mean then, when you say in your letter that passes along the communication, that:

> The Texas Farm Bureau needs to have this matter fully investigated to determine what has been going on in the Texas Department of Agriculture as it relates to the federal/state commodity inspection and grading program.
>
> I will appreciate any help you can provide the Farm Bureau.

It seems to me that that language says, do what the Texas Farm Bureau is asking.

Mr. DATT. I would have a little different point of view. I think what that indicates is, in effect, what we received in the letter from Jo Ann Smith, where she outlines and goes into considerable detail as to the investigation that had taken place——

Senator CONRAD. But you had not received the letter from Jo Ann Smith at the time that you wrote your letter.

Mr. DATT. No. I was seeking to have her, I was seeking in my letter to determine what investigation had been conducted by the Department; what they had done and what the situation was.

Senator CONRAD. That was not the letter that came to you from the Texas Farm Bureau. The letter that came to you was in follow-

up to "our discussion at Kick-Off." [2] Maybe we can pursue that. What was your discussion at kick-off?

Mr. DATT. Well, as I indicated earlier I have been involved in this issue over the years. Namely the question of the cooperative Federal/State agreement that took place, that was in existence. I helped put it together in 1958.

That involves an agreement with the Texas Department of Agriculture with the U.S. Department of Agriculture, under which Federal inspection is provided for the fruit and vegetable industry in Texas. They pay a service for inspection fee, for that service.

The controversy over the years has been how is that money used? What is done with it by the Texas Department of Agriculture? That has been an issue going all through this, since the beginning of the program. That was why Vernie Glasson discussed it with me, because he knew of my background and my involvement in setting up and establishing it and following it over the years.

Senator CONRAD. Let me ask you this question if I might. This letter says,

> In follow-up to our discussion at Kick-Off, what we need is some kind of full-scale (or otherwise) investigation into State/Federal relationships between USDA and the Texas Department of Agriculture.

In the discussion with Mr. Glasson, at kick-off, did you discuss the need for an investigation?

Mr. DATT. What we talked about in that discussion was the fact that there was a difference of opinion between the Texas Department of Agriculture and the Texas Farm Bureau, as it related to how the funds that were collected for inspection purposes were being used.

If you go to the letter from Jo Ann Smith, you will see, because it explains in more detail, the issue having to do with the use of credit cards by the Texas Department of Agriculture people; methods of paying overhead; and the contract for personal services.

These are just three of the examples of the controversy as it has existed as it relates to this whole area.

Senator CONRAD. I ask my question again. Did you, in a discussion with Mr. Glasson, discuss the need for an investigation and in that discussion was there any talking about the political nature of such an investigation?

Mr. DATT. No. There was no discussion of the political nature of it, or what might be involved as related to the political part. If there was a discussion of this area, the three points were discussed in Mrs. Smith's letter.

Senator CONRAD. In what context was there a discussion of the need for an investigation?

Mr. DATT. To determine what were the facts. Because you had the Texas Department of Agriculture saying these are the facts in terms of this money and the U.S. Department of Agriculture saying, no, these are the facts. The Texas Farm Bureau saying, these are the facts.

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[2] This is in reference to the February 7, 1990, letter from Vernie R. Glasson to John C. Datt. See p. 67 for this letter.

And there was a need for clarity and a determination what are the facts as they relate to this particular agreement involved. That was the context in which I visited with Mr. Glasson.

Senator CONRAD. The context of the letter in the next paragraph, the letter from Mr. Glasson to you, clearly puts it in a political context.

Mr. DATT. That was his letter. He put it within that.

Senator CONRAD. But you forwarded that letter?

Mr. DATT. Yes, I forwarded that letter to the executive director of the Washington office.

Senator CONRAD. You forwarded a letter that clearly put an investigation by Federal authorities into a political context. "What would help is a February 15, or so (prior to March 13)"—apparently time for a primary election—"announcement, or leak, to Texas press. * * * We can be successful"—I assume that is political success—"but, a little smart politics on the part of a Yeutter-directed USDA sure will help."

This is the letter that you forwarded with your comments that "I will appreciate any help that you can provide the Farm Bureau."

Doesn't that strike you as inappropriate?

Mr. DATT. No. It does not strike me as being inappropriate. It strikes me as carrying out the role that I have as the executive director of the Farm Bureau of the Washington office, where I have a constituent organization seeking to obtain some kind of information from the U.S. Department of Agriculture of a relationship that exists and that involves the Department.

Senator CONRAD. Let me ask the more general question. Do you think it is appropriate to use Federal investigatory authority for political purposes?

Mr. DATT. That's a very broad question and I'm not going to answer it because you have to give me a little more detail.

Senator CONRAD. Let me give you complete detail. Do you think it is appropriate to seek to have an investigation of a State official for the purposes of affecting an election outcome?

Mr. DATT. We were not seeking the investigation. We were seeking an investigation into the Federal/State relationship between USDA and the Texas Department of Agriculture. That involves a number of people in both organizations.

Senator CONRAD. Is it your assertion that there was no political purpose attached to it?

Mr. DATT. As far as I'm concerned there was none.

Senator CONRAD. What could be more clear? Do you think in terms of Mr. Glasson, there was a political purpose attached to it?

Mr. DATT. I would not attempt to determine what Mr. Glasson's motives were.

Senator CONRAD. Let me ask you again. Do you think it is appropriate to use Federal investigatory authority to influence a political election?

Mr. DATT. I think that is probably clearly against the law.

Senator CONRAD. I would think so too. I must say to you, I would prefer not to have to come to this conclusion, but I must say to you that it appears very clear to me that there was an attempt to pursue a Federal investigation for the purpose of influencing a political contest.

I would say to you, that if you don't recognize there is something terribly wrong with this type of action, this Senator, at least, would certainly have a problem with putting you in a position of having a role in a major Federal institution.

Mr. DATT. Again, as I said, as far as my role is concerned, I view my role as simply the agent for the Farm Bureau here, who transmitted the letter of inquiry from the Texas Farm Bureau to the U.S. Department of Agriculture seeking to determine that investigation into the relationship between USDA and the Texas Department of Agriculture.

Senator CONRAD. Senator Cochran.

Senator COCHRAN. Mr. Chairman, for my part, I would like to read the letter of Mrs. Smith. Nobody seems to want to read it, and I do. I will just read it aloud and take my chances. I have never seen it before, but it will probably put this whole thing in perspective if I am right. If I am wrong, we will all be embarrassed, I guess.

Well, let's see what it says.

April 10, 1990.

Dear Mr. Datt: This is in response to your letter of February 23, 1990, in which you conveyed the Texas Farm Bureau's request for a Federal investigation of the Federal/State commodity inspection and grading program in Texas. As you may know, last year the U.S. Department of Agriculture (USDA) asked the Texas State Auditor to look into several management issues in that program.

The actions we took last year were, as we stated to the Texas State Auditor, motivated by our commitment ". . . to keep expenses as low as possible in the best interest of the Texas fruit and vegetable producers and handlers who must pay the cost of inspection." This remains our only reason for the actions we have taken; politics or a desire to embarrass TDA have not been factors in our decisions.

The problems which we have pointed out have not affected the quality of the crop inspection services being provided to producers and handlers in Texas; rather, they center around financial and administrative issues.

Over a year ago, reports were brought to our attention of questionable financial and administrative practices within the Federal/State crop inspection program in Texas. We determined that since no Federal funds were involved, our concern should be turned over to the Texas State Auditor's office for whatever action they considered proper.

The Texas State Auditor's report on the issues we raised, which was issued in November 1989, concluded that the management controls over the program need to be improved, and that, although there were no demonstrable misuses of funds, there had been expenditures of crop inspection funds for purposes which would not have been allowable had the funds been subject to the State's fiscal controls. Similarly, USDA concluded that some of the expenditures would not have been allowable if the funds had been subject to Federal guidelines.

We have concluded that further investigation is not warranted unless other issues arise, and that our attention should focus on improving management controls within the crop inspection program in Texas to prevent future problems. The following additional details should further clarify USDA's actions.

USDA's concerns about TDA's use of crop inspection funds are limited, in this instance, to a jointly-administered Federal/State program for shipping point inspection of fresh fruits, vegetables, and specialty crops. This program is carried out by the Texas-Federal Inspection Service (TFIS), which operates under a Cooperative Agreement between USDA and TDA. The terms of the Cooperative Agreement provide for funding this program through user fees paid by the handlers from the various commodity groups who request the inspection services. The user fees are to be used only for carrying out inspection work or for reimbursing TDA and USDA for their expenses incurred in providing oversight to the program. The specific issues of concern to USDA involved the methods by which TDA drew its "program oversight" funds from TFIS, and several TFIS expenditures and management decisions which were authorized by TDA without the required endorsement of USDA. The issues we raised included:

Credit cards used by TDA officials for expenses which were billed directly to TFIS.

The Auditor concluded that:

"There were no policies which defined or placed restrictions upon allowable charges to the program, nor were [TDA] officials required to furnish documentation which clearly demonstrated that charges were applicable to the inspection program or the general administrative duties of [TDA]. The lack of control over these expenses creates a high degree of risk that the resources of [TFIS] could be subject to misapplication."

Method of paying "overhead" from TFIS to TDA.

TDA officials have drawn funds directly from TFIS to pay for travel expenses, meals, lodgings, vehicles, and related expenses. These expenditures did not flow through the State Treasury, and, in the Auditor's words, were "not subject to the same level of control" that Texas exercises over other funds; ". . . some of these expenditures would not have been allowable uses of general revenue funds."

Contract for personal services.

USDA questioned a $10,000 consulting contract which was entered into by TFIS without the required USDA approval. We continue to believe that this contract was a waste of TFIS funds. The Auditor did not evaluate this issue.

The Auditor made several recommendations and reached other conclusions, some we agree with and some we do not accept. We do believe, however, that we need to tighten up the USDA/TDA Cooperative Agreement to:

—clarify the method of reimbursing TDA for administrative costs, including discontinuation of the practice of TDA officials charging expenses directly to TFIS;

—define allowable charges to the program; and

—provide a more effective method of oversight over expenditures of TFIS funds.

I will be pleased to discuss this subject with you if you need more information.

Sincerely, Jo Ann R. Smith, Assistant Secretary for Marketing and Inspection Services.

After you received that letter did you question the decisions that USDA had made or did you call for any further action by USDA?

Mr. DATT. No, sir. I received the letter and then I wrote back the letter thanking her for it. Because I thought the letter was a very detailed account of what they had done and how they had followed up on the matter. I did nothing further. In fact, I did nothing further at the time at all in terms of Mrs. Smith.

I sent her my February 23 letter and I never discussed the issue with her and I received her reply and as far as I was concerned that settled the matter.

Senator COCHRAN. To your knowledge, were there any leaks or any other kind of action taken by USDA that would suggest a response to the suggestion that the Texas Farm Bureau person had requested?

Mr. DATT. No, sir.

Senator COCHRAN. And you requested none, is that right?

Mr. DATT. Correct, sir.

Senator COCHRAN. In looking over your background on the other subject, and that is your qualifications and otherwise your fitness for the responsibilities of service on the Farm Credit Administration Board, I was impressed with your personal experience as an officer and as executive director of the Washington office of the American Farm Bureau Federation.

I think it is well known that the American Farm Bureau Federation is a leading organization in farm matters, agriculture matters, financial and insurance matters. That you have worked for this Federation, as I understand from the résumé here, since October 1, 1950?

Mr. DATT. As a matter of fact, Senator, it was 40 years ago today that I came to work for the Federation, here, in Washington. It was on October 15. I had attended a prior staff conference and I came

to work for them on a Monday morning here October 15, so that is 40 years ago today.

I think that over the years that I have been with the Federation I have established a record of being a very credible and knowledgeable person. I think that those who have dealt with me over the years know of my reputation and know of my high degree of integrity that I have brought to the organization as I sought to carry out my job here.

I came from a family where personal integrity was a very, very high thing in the mind of my father and the mind of my mother. I have kept that as one of the main values that I have had in life, and particularly as I have tried to apply it to my work with the Federation. It has been a very enjoyable experience and I believe I have contributed something to the farm and ranch people of this country over the years that I have been with the Federation. I have been very pleased and very happy with the work that I have done over the years.

Senator COCHRAN. I can say, Mr. Chairman, it has been my personal privilege to know this nominee for at least 12 years. I have worked fairly closely with him as a Member of the Senate and as a member of this Agriculture Committee and as a member of the Appropriations Committee. I can say, as a matter of personal knowledge, that I think he is a very intelligent and very outstanding individual and he would bring a lot of personal qualities that are needed to this important position.

I am thinking specifically of his educational background. He has a master's degree in agricultural economics from Penn State University and he is a person who is well respected in this town and has been in positions of responsibility. Many Members of the Congress and the Senate and the staff members have had an opportunity to come to know him very well over a long period of time.

I think his selection is certainly well considered in that the administration was very fortunate, frankly, in getting him to accept this nomination and to serve in this very important position. The Farm Credit Administration right now, as you know, Mr. Chairman, is at a point where we need good, solid leadership and good common sense as we try to make the legislation which would be beneficial to the borrowers and landowners who have depended upon the Farm Credit System.

I am confident that John Datt will do a wonderful job and will be a real influence on the Board, the kind of influence that we need right now. And I don't think this incident which we have spent a lot of time reviewing this morning amounts to a hill of beans and that it ought not to be something that would stand in the way of the early recommendation of the committee that he be confirmed by the full Senate.

Senator CONRAD. Thank you, Senator Cochran.

I would say to my friend that the question, frankly, is not the appropriateness of the response from USDA. The question with respect to the issue of the investigation is the appropriateness of the request. I would say to my friend that it is very clear to me what was being sought here was an investigation using Federal resources and the power of the Federal Government for clearly a political purpose. That is wrong. That is wrong.

I don't know how to say it any more clearly or plainly than that. It would be wrong if it were done by somebody on our side and it is wrong when it is done on the other side.

I just don't see how that can be tolerated. Asking for investigations for a political purpose is very troubling to me. Mr. Datt, I would give you another opportunity to answer the question. As a general principle, do you see it as wrong, to use Federal investigatory power for the purposes of influencing a political contest?

Mr. DATT. Well, as I said to you earlier, under the law, I assume that something like that would be illegal and is not permitted under the law. I don't see this frankly as falling into that particular category.

Senator CONRAD. All right. Any final statement by either of you, Mr. Brown or Mr. Datt?

Mr. BROWN. I'm looking forward to working with you, sir.

Senator COCHRAN. Mr. Chairman, could I ask that questions by Senator Lugar for each nominee be submitted in writing and that responses to the questions be made a part of the record?

Senator CONRAD. I would be glad to do that. Questions from Senator Lugar for both nominees. Also, questions from Senator Leahy will be received for the record.

[Responses by Billy Ross Brown and John C. Datt to Senators Lugar and Leahy follow:]

RESPONSES BY BILLY ROSS BROWN AS A NOMINEE TO THE FARM CREDIT ADMINISTRATION BOARD TO QUESTIONS SUBMITTED BY SENATOR LUGAR

1. FCA has been striving to establish itself as an arm's-length regulator of the Farm Credit System institutions since it was restructured in the 1985 Credit Act. The transition has not been totally smooth and in the opinion of many is not yet complete.

Question. If you are confirmed to the FCA Board, what do you see as the primary issues facing the agency that you will have to deal with to ensure that FCA will promptly complete this transition and be able to meet all of the responsibilities it faces?

Answer. In order to become fully established as an arm's-length regulator, I believe FCA must remove itself from the operating decisions of the institutions. Currently, FCA is required by statute to approve such things as CEO compensations, retirement programs, bond issues, lending agreements, and certain policies. If confirmed, I would like to see FCA make every effort to completely remove itself from unnecessary prior approvals and to seek changes in statute, where appropriate.

2. One issue that has been of some concern is the continued expansion of FCA's budget during a period of substantial reduction in System loan volume and numbers of institutions. Specifically, during the period from 1985 to 1989, outstanding System loans fell from about $70 billion to about $50 billion, and the number of separate regulated entities fell from over 400 to less than 300 due to mergers and consolidations of banks and associations. At the same time, FCA's budget has nearly doubled, from about $21 million to over $41 million requested for fiscal year 1991.

Question. Do you think this apparent disparity in the growth patterns between FCA and the System is a problem you as a prospective Board member should be concerned about?

Answer. If there is a disparity as you describe, which is not justified by other facts or conditions, I will be concerned. I understand, however, that the agency doubled in size starting in 1986 because of expanded examination responsibilities assigned by the Congress. This could be a substantial explanation for any "apparent disparity."

Question. Do you feel that FCA should continue to grow irrespective of the contraction of the System?

Answer. FCA must be responsive to the needs of the Farm Credit System. FCA also must be responsive to the needs of borrowers, the protection of stockholders and investors, and the public policy direction of Congress. As a Board member, I

will strive to balance these interests. FCA must have the necessary resources to deal with all its responsibilities.

Question. What steps would you consider taking as a Board member to assure that the budget of FCA is kept in line with changes that take place in the System?

Answer. As a matter of policy, I will be concerned that the FCA budget is appropriate for the needs and requirements of the agency. Working with the Chairman, I will counsel him to assure that the budget represents the resources necessary to carry out FCA's legal responsibilities and the policies of the Board.

Question. Since the budget of FCA is ultimately paid by the farmer borrowers of the System, will you commit to this committee that as a member of the Board you will undertake a critical review of the structure and organization of the agency and make changes as necessary to assure that it is streamlined and efficient as well as effective in carrying out its responsibilities?

Answer. FCA has a responsibility to those who pay the bill to be efficient and to be effective. As a Board member and as I learn more about agency operations, I will advise the Chairman, who is the CEO, and recommend to him changes in structure and procedure which would improve efficiency.

3. FCA has developed a reputation for being unresponsive during recent years. For instance, many of the regulations to carry out the 1987 Credit Act have only recently been issued and some are still on the drawing board from what I hear. An extreme example is the amazing failure of FCA to collect the assessment due from System institutions in January 1990 to fund the System-wide Insurance Fund, amounting to about $70 million. The excuse that has been given is that the money could not be collected because the regulations were not in place.

Question. I am sure you are aware of these problems and would like you to comment on the steps you plan to take as a member of the Board to correct them and to assure a better record at FCA in the future?

Answer. The Chairman of FCA has recently announced a reconfiguration of the agency's structure that will improve efficiencies of the operation. The reconfiguration will allow the FCA to focus on priorities and continue work on a project until complete. With a new group devoted solely to regulation development, the process will be streamlined and allow for better response time. I believe it is imperative for the agency to focus on priorities and continue to improve efficiencies. As a member of the Board, I plan to be involved in setting those priorities and continually reviewing organization and structure to ascertain whether further organizational efficiencies are possible.

4. As you may know, I have long been an active supporter of the agricultural secondary market. I believe that it offers benefits to farm and rural borrowers through access to capital market funding for agricultural loans and that it will benefit all lenders by providing them a valuable tool for managing interest rate risks associated with long-term fixed rate loans.

Question. What do you think of the Farmer Mac program and its potential to benefit borrowers and lenders?

Answer. I believe the development of the Farmer Mac program is an important step toward resolving the agricultural crisis of the eighties and securing the future economic well-being of American farmers and ranchers. The establishment of Farmer Mac could benefit both borrowers and lenders in the agricultural and rural sectors of the United States by significantly improving access to capital markets. The secondary market for agriculture has the ability to provide a more efficient and competitive means of fulfilling the credit needs of farmers, ranchers, and rural homeowners. Additionally, the Farmer Mac program will provide agricultural lenders with the necessary mechanism to reduce and control interest rate risk associated with long-term fixed interest rate loans and a means to increase liquidity.

5. Are you aware that one of the major problems contributing to the System's financial downfall in the mid-1980's was a serious mismatch in the interest rates between long-term funds borrowed by System institutions and the rates on loans made to farmers? Had the secondary market been available during the early 1980's the System institutions may have been able to protect themselves from this situation.

Question. Will you commit to this committee that as a member of the Board of FCA you will objectively evaluate the potential for System use of the secondary market as a risk management tool and take steps to encourage System institutions to make use of it for this purpose?

Answer. As a member of the Board of the FCA, I will certainly ask why any System institution fails to make use of the secondary market when benefits are obvious. My actions as an FCA Board member will be guided to ensure that the System and the secondary market operate in a safe and sound manner and that any and all problems needing attention are resolved.

I will be especially cognizant of the need to prevent recurrence of the mismatches in interest rates that prevailed in the mid-1980's and will encourage the System to appropriately use the secondary market as a risk management tool.

RESPONSES BY BILLY ROSS BROWN AS A NOMINEE TO THE FARM CREDIT ADMINISTRATION BOARD TO QUESTIONS SUBMITTED BY SENATOR LEAHY

Question 1. Mr. Brown, at the time of your nomination, were you associated with or did you represent any part of the Farm Credit System? If so, which entities and for what period of time?

Answer. I am currently a member of the board of the First South Production Credit Association. I have been a board member of a PCA for the past 22 years serving as board chairman for 9 of those years. If confirmed, I will resign immediately as a member of the First South PCA board.

Question 2. Once again, for the record, if any matter involving First South PCA is raised or discussed by the Farm Credit Administration, will you recuse yourself from the proceedings?

Answer. As I stated at the confirmation hearing on October 15, I sent a letter some time ago to FCA Board Chairman Harold Steele. In that letter I stated, "I can assure you that if nominated to the position by the President and confirmed by the Senate, I will comply with both the letter and the spirit of all formal ethical standards, as well as refrain from doing anything which might even suggest any ethical problems or give the appearance of impropriety. Specifically, I would recuse myself from any consideration, deliberation, or vote on matters before the board concerning the litigation or any other activities in which First South PCA is involved and of which I had personal knowledge prior to appointment and confirmation."

RESPONSES BY JOHN C. DATT AS A NOMINEE TO THE FARM CREDIT ADMINISTRATION BOARD TO QUESTIONS SUBMITTED BY SENATOR LUGAR

1. FCA has been striving to establish itself as an arm's-length regulator of the Farm Credit System institutions since it was restructured in the 1985 Credit Act. The transition has not been totally smooth and in the opinion of many is not yet complete.

Question. If you are confirmed to the FCA Board, what do you see as the primary issues facing the agency that you will have to deal with to ensure that FCA will promptly complete this transition and be able to meet all of the responsibilities it faces?

Answer. The agency has disclosed that it has many regulations that it is treating as priorities. With a fully functioning board of directors, I expect policy issues can be deliberated and regulations issued on important subjects, such as lending limits, loan participations, appraisals, and terminations of charters. The timely completion of such regulations is certainly a primary issue facing FCA.

2. One issue that has been of some concern is the continued expansion of FCA's budget during a period of substantial reduction in System loan volume and numbers of institutions. Specifically, during the period from 1985 to 1989, outstanding System loans fell from about $70 billion to about $50 billion, and the number of separate regulated entities fell from over 400 to less than 300 due to mergers and consolidations of banks and associations. At the same time, FCA's budget has nearly doubled, from about $21 million to over $41 million requested for fiscal year 1991.

Question. Do you think this apparent disparity in the growth patterns between FCA and the System is a problem you as a prospective Board member should be concerned about?

Answer. Yes; if there are not justifiable reasons for the growth. During the period you have mentioned, Congress changed FCA into a regulator more like other banking regulators with expanded examination and enforcement responsibilities. I would think that these increased responsibilities account for most of the growth you have cited.

Question. Do you feel that FCA should continue to grow irrespective of the contraction of the System?

Answer. The cost and size of FCA should be related to the size and condition of the System. FCA must have the necessary resources, however, to fulfill its responsibilities for regulation, examination, and enforcement as established by the Congress. As a Board member, I will be concerned that FCA meet its obligation to assure the

safety and soundness of the System. The appropriate amount of resources will be essential.

Question. What steps would you consider taking as a Board member to assure that the budget of FCA is kept in line with changes that take place in the System?

Answer. It is my understanding the Chairman sets the FCA budget. But, as Board member, I will work with him and advise him to make sure the budget is right for the needs of the agency. In setting the budget, we must be conscious of the needs and condition of the System, the responsibilities assigned to FCA in the law, and policy established by the Board.

Question. Since the budget of FCA is ultimately paid by the farmer borrowers of the System, will you commit to this committee that as a member of the Board you will undertake a critical review of the structure and organization of the agency and make changes as necessary to assure that it is streamlined and efficient as well as effective in carrying out its responsibilities?

Answer. As an active participant in the policy deliberations of the FCA Board, I will maintain a critical eye on the processes and procedures of the organization. Whenever I see opportunities for improvements in efficiency or effectiveness, I will consult with the Chairman as Chief Executive Officer and urge his consideration. I accept my responsibility to do my part to enhance FCA's performance.

3. FCA has developed a reputation for being unresponsive during recent years. For instance, many of the regulations to carry out the 1987 Credit Act have only recently been issued and some are still on the drawing board from what I hear. An extreme example is the amazing failure of FCA to collect the assessment due from System institutions in January 1990 to fund the System-wide Insurance Fund, amounting to about $70 million. The excuse that has been given is that the money could not be collected because the regulations were not in place.

Question. I am sure you are aware of these problems and would like you to comment on the steps you plan to take as a member of the Board to correct them and to assure a better record at FCA in the future.

Answer. As I'm sure you are aware, the FCA has operated for an excessive length of time without a Board quorum; therefore, regulations could not be promulgated. It is my understanding that the groundwork for many regulations has been put in place. When a Board is finally in operation, it will have proposed regulations on appraisals, lending limits, and participations to review and approve. During the comment period on these regulations, other regulations will be drafted and presented to the Board for approval in proposed form. As a member of the Board, I plan to ensure that regulation development is a continual process with reduced lag time, allowing the FCA to be more responsive.

4. As you may know, I have long been an active supporter of the agricultural secondary market. I believe that it offers benefits to farm and rural borrowers through access to capital market funding for agricultural loans and that it will benefit all lenders by providing them a valuable tool for managing interest rate risks associated with long-term fixed rate loans.

Question. What do you think of the Farmer Mac program and its potential to benefit borrowers and lenders?

Answer. I believe the Farmer Mac program is important to fulfill the credit needs of American farmers, ranchers, and rural homeowners. The secondary market for agriculture has the potential to increase the availability of long-term credit to farmers and ranchers at stable interest rates, provide greater liquidity to agricultural lenders, provide new capital for agricultural investments, and enhance the ability of individuals in rural communities to obtain financing for moderately priced homes.

Furthermore, I believe the Farmer Mac program is significant to agricultural lenders in providing a means to better manage interest rate risk associated with long-term fixed rate loans.

5. Are you aware that one of the major problems contributing to the System's financial downfall in the mid-1980's was a serious mismatch in the interest rates between long-term funds borrowed by System institutions and the rates on loans made to farmers? Had the secondary market been available during the early 1980's the System institutions may have been able to protect themselves from this situation.

Question. Will you commit to this committee that as a member of the Board of FCA you will objectively evaluate the potential for System use of the secondary market as a risk management tool and take steps to encourage System institutions to make use of it for this purpose?

Answer. I endorse the secondary market for agricultural mortgage loans. I believe that opportunities to use risk management tools, such as the secondary market, should be encouraged when appropriate.

Throughout the continuing developmental period of the Farmer Mac program and the System's participation in the secondary market, I expect that FCA will encourage System institutions to review their risk management policies. Also, I believe FCA should encourage System institutions to evaluate alternatives, such as use of the secondary market, to reduce the level of any serious mismatches in assets and liabilities, such as existed in the System in the mid-1980's.

Senator CONRAD. We should also put in the record a statement by the chairman of the committee, Senator Leahy.[3]

We will leave the record open for questions that others might have and for statements that others might have. I will leave that open for Monday.

I want to thank you both, very much, for being here today and for answering the questions of the committee.

Mr. BROWN. Thank you, sir, I appreciate it very much.

[Whereupon, at 11:52 a.m., the committee adjourned, subject to the call of the Chair.]

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[3] The prepared statement of Senator Leahy can be found on p. 2